FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,362 | Wednesday July 4 1984 | D 8523 B

Enterprising moves from France's bourse, Page 14

NEWS SUMMARY

GENERAL

Moscow 'sceptical' on U.S. offer

British Foreign Secretary Sir Geoffrey Howe delivered in person an assurance to Soviet leaders from the White House that the U.S. would negotiate on outer space weapons "without preconditions."

However, he described the reaction of Soviet President Konstantin Chernenko to the new American assurance as "sceptical."

Sir Geoffrey told a press conference after two days of talks in Moscow that it would be "very strange" if the Soviet initiative to start space weapons talks with the U.S. in September "were to be frustrated by a misunderstanding which the Soviet Union did not want to clear up." Page 16

Beirut takeover

Lebanon's military council decided the army would begin to take control of Greater Beirut from militia groups today, Beirut Radio said. About 9,000 soldiers will take over the streets of the city as militiamen withdraw. Page 4

Production resumes

West German car assembly lines were rolling again after being halted for seven weeks in the costliest industrial dispute in the nation's 35-year history. Page 3

Director executed

The director of a cotton-processing plant in Soviet Turkmenistan was executed after being found guilty of taking bribes to cover up falsification of crop figures, Pravda said.

U.S. to buy MiGs

A leading U.S. defence company, LTV Aerospace, said it was to buy Soviet-designed MiG-21 jet fighters from China for possible use by the U.S. Navy in combat training. Page 4

P2 link

A report on the P2 masonic lodge affair, which brought down an Italian government, has described as authentic a membership list containing the name of the present Budget Minister, Sig Pietro Longo.

Terrorists held

Four Red Army Fraction members were arrested in a raid on a Frankfurt flat where handguns and a grenade were seized by police.

Gen Salan dies

Gen Raoul Salan, France's most decorated officer, who led an abortive right-wing coup against President Charles de Gaulle from Algiers in 1961, died in a Paris military hospital. He was 85.

More food needed

Angola, Botswana, Lesotho, Mozambique, Zambia and Zimbabwe will need 1.35m tonnes of food aid in 1984-85, almost twice as much as the previous year, because of three years' insufficient rain, the UN Food and Agriculture Organisation said. Page 4

Cut-price flight

People Express, the U.S. airline, is seeking to start a low-price service between Stansted, England, and Newark, New Jersey, from November. Page 10

Bail set at $1m

Alfred Zehe, 44, an East German physicist accused of espionage, was released in Boston on $1m bail

Population growth

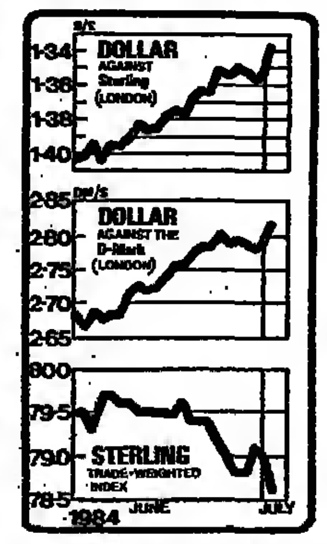
The China Daily said that on an average day China's 1 bn-odd population increased by 51,000 births and was depleted by 17,000 deaths, while 23,000 couples married and 1,170 divorced.

BUSINESS

Stagnant profits and sales at GEC

GEC, Britain's largest electronics group, reported virtually unchanged pre-tax profits of £671m ($900m) and sales of $5.6bn for the year to March 31, its dullest result since 1967. Details, Page 22; Lex, Page 16

DOLLAR rose in London to DM 2.8210 (DM 2.79), FFr 8.6550 (FFr 8.5650), SwFr 2.3670 (SwFr 2.3420) and Y329.65 (Y238.55). On Bank of England figures, its trade-weighted index rose to a record 135.0 from 134.3. Page 37



STERLING lost ground against the dollar in London, falling 1.35 cents to $1.3375. It was unchanged at DM 3.77, but fell to FFr 11.5650 (FFr 11.5750), SwFr 3.1625 (SwFr 3.1650) and Y320.25 (Y322.25). The pound's trade-weighted index fell to 78.6 from 79.0. Page 37

GOLD fell $2.50 on the London bullion market to $368.25. It closed in Frankfurt and Zurich at $368.50. In New York the Comex July settlement was $369.70. Page 36

WALL STREET: The Dow Jones industrial average closed 4.20 up at 1,134.28. Section III

LONDON stock exchange trading was led lower by easier gilts. The FT Industrial Ordinary share index fell 0.8 to 821.3. Section III

TOKYO shares were again lower and the Nikkei-Dow market average fell 81.62 to 10,349.25. The stock exchange index dipped 4.13 to 789.12. Section III

FRANKFURT stocks suffered sharp early losses, taking the Commerzbank index 14.4 lower at 987.9, but some foreign demand was seen later as output restarted in strike-bound industries. Section III

BRITAIN agreed to allow U.S. access to confidential documents and evidence in the Cayman Islands as part of an effort to combat money-laundering. Page 16

U.S. BANK regulators are concerned that the $7.5bn rescue package for Continental Illinois has not been sufficient to restore confidence among the bank's big depositors. Page 16

FIAT, Italy's biggest private company, expects substantially improved results this year after doubling its profits in 1983. Investment over the three years to 1986 will amount to L8,000bn ($4.7bn). Page 19

MITSUBISHI Electric Corp increased its profits by 11 per cent to Y38.87bn ($164m) in 1983-84, with the sharpest gain in electronic products and systems. Page 18

WASHINGTON-based International Finance Corporation, private-sector arm of the World Bank Group, is to earmark up to $500m over the next five years for stimulating oil and gas exploration in developing countries. Page 5

IRAN increased its industrial output 24 per cent last year

Dollar up sharply despite central bank intervention

BY PHILIP STEPHENS IN LONDON

The dollar rose sharply on foreign exchange markets yesterday, pushing sterling to an all-time low against the U.S. currency amid expectations of still higher U.S. interest rates.

British interest rates also edged up, reviving fears of an increase in the banks' base lending rates. The British authorities, however, have so far made clear that they are opposed to such a rise.

The dollar's latest surge, which took it to its highest level since January, came despite what dealers called heavy intervention by the Bank of Japan and modest dollar sales by the West German Bundesbank and the Bank of England. The South African central bank also intervened to defend the rand.

Expectations that the U.S. Federal Reserve will tighten credit at its meeting later this month, bringing further interest-rate rises, provided the main impetus to the renewed flow of funds into dollars.

Sterling closed in London at $1.3375, down 1.35 cents from Monday, while the dollar rose to DM 2.8210 from DM 2.79.

Many dealers were predicting further gains for the dollar this week, although some speculated that European central banks might take advantage of today's holiday in the U.S. to intervene heavily against the currency.

In Frankfurt, bankers said that the Bundesbank's relatively light intervention reflected the strength of the D-Mark against other European currencies, but they did not rule out increased dollar sales should the U.S. currency continued its climb towards DM 2.85.

In yesterday's trading in Tokyo, the dollar closed at Y239.85, the highest level for nine months, despite substantial dollar sales by the Bank of Japan. Dealers said the sales were aimed at preventing the U.S. currency from breaching the psychologically important Y240 resistance level.

Despite the 6 per cent differential between dollar and yen long-term bonds, financial markets are not expecting the Government to raise interest rates to support the Japanese currency.

Sterling's fall was largely a reflection of the dollar's strength, but there are signs that it is also coming under pressure against other European currencies.

The pound fell slightly against the yen and Swiss franc yesterday, although the decline in its trade-weighted index against a basket of currencies to 78.6 from 79 on Monday largely reflected the fall against the dollar.

The index, which the authorities regard as the best guide to sterling's performance, is at its lowest for 15 months and 5 per cent down on levels early this year.

Apart from the strength of the dollar, the pound has been undermined by the general weakness of oil prices, fears that the miners' strike will harm the balance of payments, and the reluctance of the authorities to raise interest rates.

A rise in borrowing charges now would run the risk of triggering a mortgage-rate increase, which would quickly feed through into the inflation rate.

Enterprising French bourse, Page 14; Lex, Page 16; Stock Markets, Section III

UK plans new team to combat financial fraud

BY BARRY RILEY IN LONDON

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, yesterday outlined the Conservative Government's strategy to reinforce London's position as one of the leading financial centres of the world.

He also announced the intention to establish a new fraud investigation group, in an effort to improve prosecution of complex commercial frauds. The task force will consist of specialist lawyers and accountants and will work in close liaison with police fraud squads.

In a speech to the Bow Group, a pressure group within the Conservative Party, Mr Lawson insisted that it was the forces of competition, rather than the Government, which would determine the institutional lines along which the markets would work in future. But the Government had clear objectives, since it regarded the smooth operation of the City of London as being essential to the British economy.

- The markets should be internationally competitive, with adequately capitalised British financial institutions operating in foreign markets and more than holding their own.
- Efficient markets should provide economical finance for British companies, and they should be as undistorted by artificial incentives as possible.
- There must be adequate protection for investors. There might, however, be a different degree of regulation for markets where most investors were professional than for institutions that attract numerous small savers.

The Government was still considering the case for some sort of umbrella body for investor protection, and whether such a body should be given statutory backing, Mr Lawson said. It also had yet to decide whether such a body should be independent or within the Civil Service.

Mr Norman Tebbit, Trade and Industry Secretary, was quoted last week as saying: "A system primarily of self-regulation can achieve what we want." Mr Lawson said last night that voluntary regulation would be preferable to a panoply of rules, regulations and agencies. But he added: "While self-regulation has worked well in the past in some areas of the City, it has worked less well in others."

The new fraud investigation group, which will be built up from the beginning of next year, will be able to request investigations of company books using the Department of Trade and Industry's statutory powers. It will replace the existing ad hoc groups that investigate specific cases.

The group will be headed by a controller reporting directly to the Director of Public Prosecutions and the Attorney-General. There has been much criticism of the failure of British courts to take effective action against cases of serious fraud.

Mr Lawson also disclosed that a new statutory framework would provide for building societies – the primary source of loans for house purchases – to extend their activities into urban renewal and rented housing. They will also be permitted to provide cheque cards and personal loans, with a possible extension into other financial services such as the sale of stocks and shares.

The societies' "cartel" on interest rates, however, had become increasingly incompatible with the Government's competition policy

Background, Page 11; Editorial comment, Page 14

German group to acquire Victor

BY JOHN DAVIES IN FRANKFURT

WEST GERMAN interests are proposing to take over Victor Technologies, the U.S. computer company which filed for bankruptcy earlier this year.

Beta Systems Computer has agreed to pay $30m for 70 per cent of the shares in Victor Technologies, producer of the Sirius microcomputer. The agreement requires endorsement of the U.S. court supervising Victor's affairs.

Beta Systems, a Luxembourg holding company is 30 per cent owned by Kerkerbachbahn, a Mannheim-based group whose interests include construction. The Victor stake is to be transferred to a West German subsidiary of Beta Systems.

Applied Computer Techniques (ACT), which has sold the Sirius computer in the UK, expressed interest in Victor Technologies as soon as the U.S. group was forced by creditors into involuntary bankruptcy in February. The UK group's bid to acquire Victor interests later fell through.

Beta Systems claims to have reached agreement with Victor Technologies' creditors, with the result that it will take over the U.S. group free of outstanding debts.

Beta Systems plans to give Victor Technologies tighter financial control and a more aggressive marketing strategy.

It has been considering building up an international marketing network for its own interests in computer peripherals and computer systems, but sees purchase of Victor Technologies as acquisition of a ready-made marketing base. It envisages ACT remaining as a Victor distributor.

Companies in the Beta group had sales revenue of $7m last year and expect to more than double that figure this year.

Beta Systems has bought a majority stake in a West German company shell, Reichhold Chemie – a subsidiary of Reichhold Chemicals of the U.S. – which is to be renamed at a shareholders' meeting today. This company, which is publicly traded, is to take over the Victor stake and make a capital increase to raise DM 36m ($12.9m) in cash through a public share issue.

Kerkerbachbahn is by far the largest shareholder in Beta Systems. It was launched on the West German stock market last year.

Warner's Atari deal, Page 17

Air Florida files for debt protection

BY TERRY DODSWORTH IN NEW YORK

AIR FLORIDA, the Miami-based carrier which sprang into existence following the deregulation of the U.S. industry in 1978, filed for protection yesterday under Chapter 11 of the U.S. bankruptcy code proceedings.

This gives the airline protection from creditors while it seeks ways of reorganising on a profitable basis. It said yesterday that it expected to resume services "promptly," both on its Miami-London route and to selected domestic and Caribbean destinations.

Air Florida, which has lost $138m since 1981, and a further $8.4m in the first quarter of this year, has been teetering on the edge of financial collapse for well over 12 months. Since January, it has been struggling to put together various rescue plans with outside investors.

The decision to go into Chapter 11, however, follows only shortly after a change in the top management. Mr Jon Tinkle, a venture capital investor, was brought in as chairman, following the resignation of Mr Donald Lloyd-Jones in May. A new senior vice-president for finance, Mr William Miesch, from the Water and Sewer Authority, was appointed just two days ago.

Since January, the airline has been kept in being mainly through loans from General Electric Credit Corporation (GECC), the finance arm of the General Electric manufacturing group.

GECC lent the company $5m for its short-term capital needs in May, when the group had been temporarily thrown out of the Airline Clearing House, which settles accounts among airlines, for non-payment of debts.

As part of an earlier GECC deal, the finance company has an option on 55 per cent of the airline's shares for $15m and $10m in additional loans. So far GECC has declined to exercise this, recently extending the option expiry date to the end of this year.

At the same time, InterFirst Bank of Dallas has been pressing for finalisation of an agreement under which it would convert a $27.3m loan to equity if the airline could find someone to put up the $15m which it considered necessary to keep the business viable.

Michael Donne, Aerospace Correspondent, writes: Air Florida has a daily DC-10 service between Gatwick and Miami. Yesterday's flight arrived on time from the U.S. and also departed on schedule. Late yesterday, all the airline's offices were closed.

Cheque accounts for big spenders in China

By Mark Baker in Peking

THEY ARE the first of the big spenders – four former entrepreneurs and industrialists, five intellectuals, four returned overseas Chinese, two bankers and a priest.

The 16 all live in the same suburb of Shanghai and are members of an exclusive new club – the first Chinese citizens to be allowed to operate personal cheque accounts since the early years after the communist revolution.

From the beginning of this year, China's Commercial Bank has allowed a select group of residents of the district of Xu Huai, once a smart neighbourhood in the French concession, to open cheque accounts as a trial run for the rest of the country.

They are using cheques to pay for restaurant meals; to shop in some of the city's better department stores; to host foreign guests at hotels; and to clear the gas and electricity accounts.

According to the banking authorities, this is not a case of sliding back to those lavish days of old capitalist Shanghai.

"The purpose of this practice is just to provide convenience for senior intellectuals, various overseas Chinese and others to enable them to find more time for their scientific and technical endeavours," says Tan Zhengou, head of the Commercial Bank's deposits department in Shanghai.

Tan indicated that rather inegalitarian criteria were applied in the selection of prospective cheque account holders – they must have lots of money and be "personages of credibility."

"This practice is limited at present to senior intellectuals, former entrepreneurs and industrialists, and various overseas Chinese who have returned to live in Shanghai and who earn much more money and have much more extensive spending," he said.

With China's more liberal economic policies over the past few years, personal incomes were rising. Many richer families stripped of their assets after the revolution were having their property returned, and a lot of overseas Chinese were returning to live or were repatriating money to their relatives.

"The practice of using cheques was very popular before liberation and now many people are keen to use this system again," said Tan.

"When some of these prominent people used to entertain their rela-

Continued on Page 16

Talks to restart in British pit dispute

BY OUR INDUSTRIAL STAFF IN LONDON

FRESH ATTEMPTS will be made this week to reach a settlement in the 17-week-old British coal dispute.

The National Union of Mineworkers (NUM) and the National Coal Board (NCB) have agreed to meet again in an effort to bridge the gulf between them. It will be their third attempt at a settlement.

News of the talks came as the miners and the transport unions further tightened their grip on steel plants. But they were unable to halt convoys of coal and iron ore.

Mr Arthur Scargill, the NUM president, said last night that the NCB had contacted the union to ask for talks. He repeated the union's position that "this damaging and costly dispute can only be resolved if the NCB withdraws its unilateral pit closure programme announced on March 6."

Mr Ian MacGregor, the NCB chairman, said: "Despite the rhetoric behind Mr Scargill's announcement, we shall be endeavouring to have a constructive discussion." Both Mr Scargill and Mr MacGregor will attend the talks.

Mr Peter Heathfield, the NUM general secretary, said: "So much depends on the line MacGregor takes." He said the two sides must return to the tentative understanding they had sketched out at a meeting in Edinburgh on June 8. "It would be futile otherwise."

The Edinburgh "understanding" – subsequently destroyed in the bitterness of the last abortive talks in Rotherham on June 13 – established agreement that geologically unworkable and exhausted pits should close – and had begun to map out

Continued on Page 16

Loss-making exporters, Page 8

CONTENTS

EUROPEAN NEWS

BASE LENDING RATES

A.B.N. Bank	9¼%	Heritable & Gen Trust	9¼%
Allied Irish Bank	9¼%	■ Hill Samoel §	9¼%
Amro Bank	9¼%	C. Hoare & Co. †	9¼%
Heory Ansbacher	9¼%	Hongkong & Shangbai	9¼%
Armco Trust Limited	9¼%	Kiogsnorth Trust Ltd	10 %
Associates Cap. Corp.	9 %	Knowsley & Co. Ltd.	9¼%
Beoco de Bilbao	9¼%	Lloyds Baok	9¼%
Bank Hapoalim BM	9¼%	Malliohall Limited	9¼%
BCCI	9¼%	Edward Mansoo & Co.	10¼%
Bank of Ireland	9¼%	Meghraj and Sooa Ltd.	9¼%
Bank of Cyprus	9¼%	Midland Bank	9¼%
Bank of India	9¼%	■ Morgan Greofell	9 %
Bank of Scotland	9¼%	National Bk. of Kuwait	9¼%
Banque Beige Ltd.	9¼%	Natiooal Girobaok	9¼%
Barclays Bank	9¼%	National Westminster	9¼%
Beoeficial Trust Ltd.	10 %	Norwich Geo. Tst.	9¼%
Bremar Holdiogs Ltd.	9¼%	Peoole's Tst. & Sv. Ltd	10 %
Brit. Bank of Mid. East	9 %	R. Rapbael & Sons	9¼%
■ Brown Shipley	9¼%	P. S. Refson & Co.	9¼%
CL Bank Nederland	9¼%	Roxburghe Guarantea	9¼%
Caoada Permn't Trust	9¼%	Royal Trust Co. Canada	9¼%
Castle Coort Trust Ltd.	9¼%	■ J Henry Schroder Wagg	9¼%
Cayzer Ltd.	9¼%	Standard Chartered ‖	9¼%
Cedar Holdings	9 %	Trade Dev. Bank	9¼%
■ Charterhouse Japhet	9¼%	TCB	9¼%
Choulartons	10¼%	Trustee Savlogs Baok	9¼%
Citibaok NA	9¼%	Uoited Bank of Kuwait	9¼%
Citibaok Savtogs ¶	9¼%	United Mizrahi Baok	9¼%
Clydesdale Bank	9¼%	Volkskas Limited	9¼%
C. E. Coates & Co. Ltd.	10¼%	Westpac Baoking Corp	9¼%
Comm. Bk. N. East	9¼%	Whiteaway Laidlaw	9¼%
Consolidated Credits	9¼%	Williams & Glyn's	9¼%
Co-operative Bank *	9¼%	Wiotruat Secs Ltd.	9¼%
The Cyprus Popular Bk	9¼%	Yorkshire Bank	9¼%
Dunbar & Co. Ltd.	9¼%		
Duncan Lawrie	9¼%		
E. T. Trust	9¼%		
Eseter Trust Ltd.	10¼%		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10 %		
Robert Fraser	9¼%		
Grindlays Bank ‡	9¼%		
■ Guinness Maboo	9¼%		
■ Hambros Baok	9¼%		

■ Member of the Accepting Houses Committee.
* 7-day deposits 5.75%. 1-month 8.5%. Fixed rate 12 months £2,500 8.5% £10,000. 12 months 9%.
† 7-day deposits on sums of under £10,000 5%. £10,000 up to £50,000 6¾%. £50,000 and over 7½%.
‡ Call deposits £1,000 and over 5¾%.
‖ 21-day deposits over £1,000 7%.
§ Demand deposits 5¾%.
¶ Mortgage base rate.

French Cabinet change delayed

BY OUR PARIS CORRESPONDENT

FRANCE'S PRESIDENT, M Francois Mitterrand, appears to have postponed the sweeping Cabinet changes that he was widely expected to carry on this month or next.

This was the conclusion being drawn yesterday by the decision to hold a further parliamentary session during the summer months. The National Assembly was reconvened on Monday for a session that could well last two months. Under the Fifth Republic, the Assembly, has until now, never sat beyond August 2.

The main purpose of the additional session is for the Assembly and the Senate to pass the controversial Bills on private schooling and the reform of the Press laws.

The opposition — much more aggressive in its attacks since the Left's defeat in last month's European election — has lodged a large number of amendments against both Bills. It has also vowed to repel them if returned to power.

Officials and ministers believe that President Mitterrand's tactic is to leave M Pierre Mauroy in place as Prime Minister to handle this onslought on laws which he initiated.

The delay would also give M Mitterrand further time to reflect on his political strategy up to the 1986 legislative elections and on the type of Cabinet he wants to manage it. It would also give time to the present government to complete the preparations for the 1985 budget.

Among those thought likely to replace M Mauroy, the frontrunner now is M Roland Dumas, the Minister for European Affairs. On Monday he presided over a news conference to sum up the achievements of French presidency of the EEC with M Michel Rocard, the Minister of Agriculture, on one side of him, and M Claude Cheysson, the Foreign Minister, on the other. He handled the occasion with all the aplomb of the annointed successor to M Mauroy.

Thorn offer lifts Lisbon spirits

BY DIANA SMITH IN LISBON

THE EEC is willing to make a political gesture towards Portugal and sign a special, symbolic document *(constat d'accord)* when accession negotiations are finished in the autumn.

This was announced in Lisbon by M Gaston Thorn, president of the EEC Commission, during his follow-up visit to last week's EEC summit at Fontainebleau. The meeting gave Portugal and Spain permission for completion of their long negotiations and entry into the Community in January 1986.

Although three difficult dossiers – agriculture, fishing and social affairs – have yet to be completed, Portugal's EEC negotiations are less contentious and more advanced than those of Spain.

According to M Thorn and other Community leaders, there are no unsurmountable obstacles: Portugal's negotiations with the EEC can be wound up by the end of September or by early October.

The *constat d'accord* is seen in Portugal as a major psychological instrument proving to the nation and to the outside world that it has reached the point of no return and that membership of the EEC is only a matter of time.

With this document in hand, the Portuguese are willing to wait for months while Spain proceeds with its negotiations.

There are bilateral problems between Portugal and Spain – particularly in fishing and in trade – that cannot easily be settled before both countries have completed their EEC negotiations. There will probably be talks between the Community, Spain and Portugal later this year.

The date for signature of the formal accession treaties is likely to be some time in February or March, allowing nine to 10 months for the parliaments of all 10 member states and of Spain and Portugal to ratify the treaties in time for accession in January 1986.

STONEWALLING AT THE FRONTIER

Summit voices fall on deaf bureaucratic ears

BY PAUL CHEESERIGHT IN BRUSSELS

FOR THE past three days French and West German citizens have theoretically been able to go into each other's country without checks. That was what President Francois Mitterrand and Chancellor Helmut Kohl decided should happen when they met at the end of may. This abolition of customs formalities for travellers has been trumpeted, especially by France, as an indication of what can be done the better to forge a European identity. French spokesmen at the Fontainebleau summit of the EEC last week were full of it.

The decision was in any case generally welcome; within a common market, it has after all, always seemed mildly ridiculous for those moving around to face a panoply of checks. And with the efforts to re-launch the EEC, to make it more obviously vigorous, the decision was portrayed as an important step towards European integration.

But nothing much has happened. The European Commission, an advocate for more than a decade of such measures as the French and West Germans proposed, yesterday felt impelled to put out a statement seeking to knock down suggestions, apparently emanting from West Germany, that the abolition of the customs formalities was not feasible technically.

Seen from Brussels, what seems to have happened is that the West German customs officials have been taking the attitude that it is all very well for heads of government to make grand statements of intent, but they are not going to move until their rules of procedure have changed.

On the French side, meanwhile, it is suggested that formalities can scarcely be abolished if a system of exchange controls is in place—it would be an invitation for capital to flee in suitcases.

So the Commission has been seeking to allay the feeling of disillusion that occurs when much is promised and little executed. Spot checks are the answer, it said; and waving through is the way to achieve that. Drivers to be checked are ushered into a side lane and the rest of the traffic can keep moving.

All of this can be applied to those with a European passport—available from January 1 1985—or with a national identity document.

But the fact that the Commission has had to put out such a statement is somewhat embarrassing for the EEC as a whole.

It was only a week ago that EEC leaders announced the results of a fireside chat and conceived "Citizens' Europe." One of the measures they suggested was the elimination of police and customs formalities for intra-Community movement within the next year. As President Mitterrand's spokesman said, the Franco-German agreement was a shining example of what could be decided.

What passed unnoticed at the time was the fact that the EEC states had already agreed to this in principle, although no time limit had been specified. On June 8, the Council passed a resolution saying: "The member states shall take appropriate measures to reduce waiting time and the duration of checks to the minimu necessary, if they have not already done so"

The Commission sees this resolution as the legal basis for any national action to reduce border constraints and its policy now is to help the member states, as much as it can, to build on the agreement.

But Herr Karl-Heinz Narjes, the commissioner in charge of the question, has for long believed that the elimination of formalities for individuals at the EEC borders cannot be achieved without:

- Closer police co-operation.
- More official liaison in the fight against drugs trafficking.
- A common approach to controls on the EEC's external borders, like common visas.

But all this is, of course, details in the face of hte basic commitment of the Treaty of Rome, signed in 1957 to establish the EEC, to freedom of movement. And in December, 1974, at the Paris summit, Community leaders called for an examination of the feasibility of abolishing passport control in the EEC.

Against this background of periodic political interest in the ability of individuals freely to move through the EEC, there is, however, one constant element. That is the innate conservatism of the national customs authorities.

Whenever steps are taken to remove formalities, their powers powers are naturally reduced. The power of these authorities is seen in Brussels as a constant brake on change, and that affects the movement of goods just as much as the movement of people.

Debt issue looms over Kohl trip to S. America

By Our Bonn Correspondent

THE WEST GERMAN Chancellor, Herr Helmut Kohl, leaves today on a week-long visit to Argentina and Mexico, which will be dominated bythe foreign debt problems facing those and other Latin American countries.

Officials here have been strenuously denying all suggestions that Herr Kohl will be acting as some kind of go-between or mediator on the debt crisis. The West German view remains that the difficulties of debtor nations must be tackled on a case-by-case basis, and that the responsibility for negotiation lies directly with the creditor banks.

The fact remains, however, that Argentina and Mexico betwene them have debts totalling some $135bn (£100bn), and the exposure of West German banks is believed to be second only to that of the U.S. banks.

Representatives of West German industry will be accompanying the Chancellor.

In the case of the Falklands, Bonn spokesmen have limited themselves to the hope that Britain and Argentina can resolve their differences swiftly. Herea gain, there is no question of Herr Kohl serving as a mediator.

Exports of West German naval equipment have returned to normal after the Falklands hiatus. Two frigates previously ordered by Argentina were delivered in 1983, while two more are under construction in West Germany.

During his stay in Buenos Aires, the Chancellor will have two rounds of talks with Sr Raul Alfonsin, the Argentine President. He moves on to Mexico City on Sunday where he will meet President Miguel de la Madrid.

Norway shows NKr11bn current account surplus

By Our Oslo Correspondent

NORWAY'S current account surplus totalled NKr 11.1bn (£1.02bn) in the first four months of this year, compared to NKr 4.2bn in the same period of 1983, according to preliminary figures

Oil and gas exports were up 21.1 per cent and made the strongest contribution to the surplus. However, exports of most other goods and services rose considerably. Total exports in the four months went up by 15.8 per cent.

Imports increased by 7.7 per cent from NKr 48.6bn to NKr 52.4bn.

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Bulgaria accuses U.S. of slander campaign

BELGRADE – Bulgaria rejected yesterday the U.S. Senate's tag of "terrorist" nation and said a Senate vote to bar government funds for trade with Bulgaria was part of a "large-scale campaign of slander."

The Bulgarian communist leadership said one of the main considerations behind last week's Senate vote seemed to be to put pressure on Italy to convict Sergei Antonov, a Bulgarian citizen, of involvement in the 1981 shooting of the Pope.

The Bulgarian rejection of the Senate's allegations was made in a statement issued by the official newsagency BTA on behalf of the Sofia Government.

The U.S. Senate, in an amendment to an appropriation Bill, voted to declare Bulgaria a "terrorist" nation for its alleged role in the assassination attempt on the Pope.

The Bulgarian statement said the motive behind the Senate decision was a familiar repetition of insinuations that formed the basis of "an unprecedented, large-scale campaign against Bulgaria".

Reuter

EUROPEAN NEWS

W. German strikes slow pace of recovery

By Rupert Cornwell in Bonn

THE BILL for the crippling West German engineering strike is now starting to come in. The dispute caused total output to fall 2.5 per cent in April and May compared with the two previous months, while production in the vehicle industry, worst affected by the disruption, plunged by almost a fifth in May alone.

The industrial production figures released yesterday by the Economics Ministry here provide the first statistical proof of the impact of the strikes, which this week are drawing to their close across the country.

Measured against the same months of last year, production in April and May was up by 2.5 per cent, suggesting that the underlying recovery in the economy is still under way, albeit less vigorously than before.

But the strikes, which began in earnest on May 14, have left a deep scar. Output of cars and lorries tumbled by 18 per cent in May and will have suffered still more last month when the car industry was at a virtual standstill throughout.

The findings of the Ministry try lend weight moreover to fears that overall growth for 1984 may fall half a point at least short of the 3-3.5 per cent previously anticipated.

Very probably, too, the dispute was responsible for the smaller than hoped for fall in unemployment last month.

According to the Federal Labour Office in Nuremburg, the number of jobless declined by barely 20,000 to 2.11m, in other words from 8.6 per cent to 8.5 per cent of the total workforce.

Herr Heinrich Franke, chairman of the Labour Office, commented yesterday that the trend was unsatisfactory. "Things have got rather worse," he said, holding out little prospect of significant improvement later this year.

The only small solace for the Government remains the continuing low level of inflation. Provisional data suggests that prices rose by only 2.8 per cent last month, unchanged from May, and slightly beneath official forecasts of a 3 per cent rate for 1984 as a whole.

Following completion of the required ballot of workers—which showed only a 54 per cent majority in favour of the 38.5 hour week compromise elaborated by Herr Georg Leber, the arbitrator—work resumed yesterday in the engineering industry around Stuttgart.

Many workers, however, voiced their discontent at the outcome of the seven-week strike, and further evidence of disgruntlment is likely from the similar ballot now under way in the other strike region around Frankfurt.

The parallel dispue in the print industry, meanwhile, was still unresolved last night, despite four days of talks in Dusseldorf. IG Druck, the print union, yesterday called out 12,000 workers in 150 plants.

EUROPEAN MONETARY UNITY

Domestic policy fear makes Bundesbank chary of the Ecu

BY JONATHAN CARR IN FRANKFURT

FOR ALL its high national prestige as an effective defender of the D-mark, the West German Bundesbank none the less is gaining an unflattering image in Europe.

It is that of a dogmatic institution which bars progress to greater European monetary unity with secondary legal and technical arguments. Criticism of the Bundesbank has been most strong from the European Parliament and from some of the smaller countries involved in the European monetary system (EMS).

But there has been at least an undertone of comment from other EMS member states along the lines, "the West Germans always say they want greater European integration, but when it comes to practical steps they raise all sorts of difficulties."

The reason for the criticism, which seems at least one-sided is that in one key respect the central bank takes a particularly restrictive attitude to private use of the European currency unit, the Ecu.

In contrast to the situation in other EMS states, West German banks are not allowed to open accounts denominated in Ecu. This effectively bars West German residents from carrying out Ecu transactions with one another, though they can still buy foreign-issued Ecu bonds if they wish.

For some years after the foundation of the EMS in 1979, the Bundesbank's stance did not seem to matter much. True, the Ecu was supposed to be "at the centre of the system" and might, some hoped, one day become "Europe's currency." But the failure of the EMS to develop as first envisaged, with among other things establishment of a European Monetary Fund as a prototype European central bank, meant that the Ecu initially had an existence about as shadowy as that of the old European unit of account had been.

That has changed thanks to a very sharp increase in the private use of the Ecu—a growth whose strength has surprised almost everyone. Well over 200 European banks now have Ecu-denominated accounts for companies and other clients, and last year the Ecu was the third most important currency on the international bond market after the dollar and D-Mark.

Moreover a growing share of European Community trade is being transacted in Ecus. Even the Russians are showing marked interest in the Ecu because, so West German bankers believe, they wish to see a cut in the dominant role of the dollar for political as well as financial reasons.

In this context, the Bundesbank starts to look like a bastion of immobility in a sea of change. Explaining its opposition to private Ecu accounts, the central bank notes that the Ecu is not a real currency at all but a "basket" of nine currencies (those of the EEC member states except for the Greek drachma.)

That of course is the big attraction of the Ecu for many investors and traders. Because the Ecu is made up of strong currencies (like the D-Mark with a share of 36.9 per cent of the "basket") as well as relatively weak ones like the Belgian franc or Italian lira, it reduces exchange rate fluctuation risk and offers a steadier (not necessarily better) rate of interest. Moreover in contrast to that other currency "basket," the Special Drawing Right (SDR), it does not include the sharply fluctuating dollar.

Does it really matter if the Ecu is not a "real currency" if enough people want it? Part of the answer is that it matters to the Bundesbank because Section 3 of West German currency law forbids indexed liabilities—that is debts whose value depends on other currencies but which are payable in D-Marks. It is just such a form of indexation which the existence of private Ecu accounts in West Germany would involve.

The easy response to this problem might seem to be change the law. On the face of it that would not appear to be a huge sacrifice for a country so often urging progress be made in European political and economic integration. The legal objection of the Bundesbank conceals the deeper fear that it might gradually begin to lose control over domestic monetary policy, thus ultimately raising the spectre of more inflation.

For one thing, to make an exception for the Ecu could create a precedent for other forms of indexation, which the Bundesbank deplores.

For another, it is asked who holds the ultimate responsibility for the Ecu? as the Bundesbank does for the D-Mark or the Banne de France for the franc. Which central bank issues Ecus and controls their supply? The answer is: none.

It would be a different matter if, as the original EMS plan envisaged, a European central bank already existed. The Bundesbank makes clear that it would welcome that, provided (and it is a very big proviso) the new body were as independent of EEC national government pressures as the Bundesbank is of Bonn.

All that said, while the Bundesbank fears are understandable, they are unlikely to be realised in practice. Since the Ecu is of special interest to those in fairly weak currency countries, it is not likely to make a lot of headway in West Germany so long as the D-Mark itself is relatively strong and attractive. Thus the immediate effect of West German authorisation to open private Ecu accounts would be small. It would surely be possible to find a legal formula to minimise the danger of setting a precedent too.

Against the remaining risk the Bundesbank would still run by taking a plunge on the Ecu, must be weighed the growing political problem for West Germany of being "odd man out" in Europe on the issue.

OVERSEAS NEWS

Philippine Cabinet approves tight budget for 1985

BY EMILIA TAGAZA IN MANILA

PRESIDENT Ferdinand Marcos's new Cabinet, meeting for the first time yesterday, approved a modest budget of pesos 67.3bn ($3.7bn) for the Philippines in 1985. This is 13 per cent higher than the 1984 budget of pesos 59.5bn, a modest rise considering the two peso devaluations in a year and spiralling inflation, over 40 per cent at present.

The proposed budget will be the first issue to be discussed at the new national assembly (parliament) when it opens in three weeks. It will also be a test case for the new parliament, with questions on whether the opposition, which won a substantial number of seats, will attack or approve it.

The modest budget is in keeping with steep austerity measures to which the Philippine Government has committed itself in order to obtain a long-delayed SDR615m standby credit from the International Monetary Fund. Conditions attached to the credit are cuts in the Government's spending and budget deficits, control in domestic credits and liquidity and a flexible currency rate.

For the 1984 budget, Mr Marcos ordered a reduction in spending to halve the budget deficit to pesos 7bn in line with the IMF recommendation to limit deficits to 1.5 per cent of the gross national product.

Of the pesos 67.3bn budget for 1985, Mr Marcos ordered that 10 per cent be held as reserve for emergency purposes. Although Mr Marcos did not announce the target deficits for 1985, Cabinet sources said it is hoped to keep the deficit at pesos 4bn.

The deficit is hoped to be controlled with the expected increase in government revenue from taxes introduced last month, including higher import taxes, and windfall taxes on exports arising from the devaluation.

Pressure is mounting, writes Emilia Tagaza from Manila, for an end to 'crony capitalism'

Marcos bites the hands he fed

MR FERDINAND MARCOS, the hard-pressed President of the Philippines, is under growing pressure to abandon his much - criticised "crony capitalism" policy as part of his efforts to get the country's economy back on its feet.

Mr Marcos's tendency to shower favours on companies owned by his friends has got him into hot water, not only from the opposition in the Philippines, but also from the IMF and commercial foreign creditors who put part of the blame for the country's $25bn debt crisis on the subsidies afforded to badly run crony companies.

These companies have had easy access to state-guaranteed foreign loans, but many misused the loans and, in running their businesses, relied more on their influential connections than on sound management.

An official of the Ministry of Trade and Industry, which now manages some of the crony companies, admitted that some favoured firms tended to use easily available capital in setting up conglomerates at dizzying speeds, instead of strengthening their existing companies. When recession hit the country in 1981, many of the new companies proved unproductive and failed, throwing millions of pesos of Government funds down the drain.

The official said, "They also helped abet the dollar crisis since they accumulated imported equipment that was rendered useless when they collapsed."

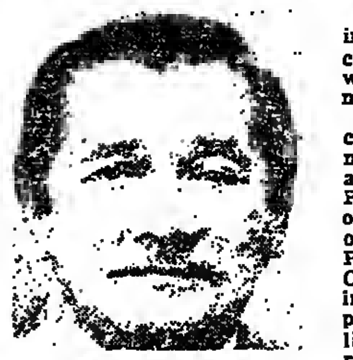
An economic recovery programme being worked out with the IMF and commercial foreign creditors requires drastic cuts in government spending and budget deficit. This calls for the tightening of the tap on credit, especially to badly managed crony companies.

This support for the companies was skilfully used by the opposition which made a strong showing in the recent elections for a national assembly.

The latest sign that Mr Marcos is prepared to comply with the creditors' restrictive conditions for a rescue package is the dismantling of the monopoly in sugar trading of the National Sugar Trading Corp (Nasutra). Run by Mr Roberto Benedicto, a close Marcos associate, Nasutra was created seven years ago through a presidential decree. The monopoly's dismantling, to take effect in August, followed strong hints from creditors, particularly the World Bank and the IMF, that free trading in major export commodities would suit the Philippines better.

The cuts in government spending have also forced a halt in the government's bailout of the cronies' crumbling empires. The massive bailout operation was launched three years ago in the wake of a financial crisis that saw a debilitating run on the capital market and a mad scramble for funds among corporate borrowers.


Roberto S. Benedicto


Rodolfo Cuenca

The government promised that once rehabilitated, the companies would be returned to their former owners, but it is now highly unlikely that the presidential friends will be able to get their business empires back.

Among those that the government tried to rescue with cheap central bank funds and government equity were some conglomerates owned by Mr Rodolfo Cuenca, the President's golfing mate, Mr Herminio Disini, husband of a first cousin of the President's powerful wife Imelda and Ricardo Silverio.

After the constraints on the government's bailout programme, Mr Silverio lost grip of his major company, Delta Motor Corporation, former partner of Toyota Motor of Japan. Having spread their businesses too thinly, the Filipino companies involved failed to pay their debts and royalties. Mr Marcos has refused Mr Silverio's pleas to stop his major creditor, the state-owned Philippine National Bank (PNB), from foreclosing his assets.

Mr Cuenca has also lost his Construction and Development Corporation of the Philippines (CDCP), the country's largest construction firm. His erratic style of management was a major factor in CDCP's downfall, although it was aided by the company's failure to collect payments for huge government contracts.

Mr Disini was also a model of imprudent diversification. He controlled about 30 companies whose assets were once estimated at $1bn.

The loss of their chain of companies, however, does not mean that Mr Marcos' friends are destitute, nor has the President completely cut them off. Mr Disini for example, has only one company left, the Philippine Tobacco Filters' Corp, but it is the biggest in its field. It benefitted from a presidential decree lowering the import duty on the basic raw material for its product, cigarette filters.

Mr Benedicto still controls a commercial bank which recently obtained cash advances from the central bank, whose rediscounting window has been shut to other banks.

There are two Marcos associates who have proved to be competent industrialists and have survived the crisis. One is Mr Eduardo Cojuangco, President of the United Coconut Oil Mills Inc (UNICOM), which has monopoly over coconut trading. Mr Cojuangco's strategy was to move into coconut-related industries and agro-industrial ventures. He recently became chairman of San Miguel Corp, the country's largest publicly quoted company.

The other survivor is Mr Benjamin Romualdez, brother of Mrs Marcos and overseer of the Romualdez clans business interests.

OVERSEAS NEWS

India's trade gap widens despite rise in exports

BY K. K. SHARMA IN NEW DELHI

INDIA'S trade gap rose to Rs 59.51bn (£3.97bn) in 1983-1984 from Rs 54.09bn in the previous year, thereby belying the government's hopes that it would fall to below Rs 50bn.

The drop had been hoped for because of the substantial rise in crude oil production, 70 per cent of the needs of which are being met from internal sources, and the trends in the first 10 months of the financial year when exports rose consistently by 12 per cent and imports by just 2 per cent.

This was reversed dramatically in the last two months and the main reason given by the Commerce Minister yesterday for the larger deficit was the prolonged port strike in India in March. This is thought to have led to a loss of exports of around Rs 6bn.

The port strike also meant, however, that imports were blocked while it lasted, yet this is not reflected in the trade figures announced yesterday. These show that imports in 1983-84 rose by a hefty 9.3 per cent to rupees 153.47bn over the rupees 140.47bn recorded in the previous year.

The sharp and unexpected rise in imports in the last quarter of the year is the main reason for the widening of the trade gap. Big increases were registered of such imports as cooking oil, food grain, capital goods and precious stones.

The Commerce Ministry said yesterday that the higher imports were made to maintain the supplies of essential commodities and to support industrial production as well as to provide inputs for export industries.

Consolation is being drawn from the dismal trade performance because exports rose by 8.8 per cent in 1983-84, although this is also well below the 12 per cent expected on the basis of the figures of the first 10 months of the year.

Soldiers patrol tense Kashmir capital

BY OUR NEW DELHI CORRESPONDENT

THOUSANDS of paramilitary forces yesterday patrolled the streets of a tense Srinagar, capital of the north Indian state of Kashmir where the popular government of Dr Farook Abdullah was dismissed on Monday to be replaced by another led by Mr Ghulam Mohammed Shah, his rival and brother-in-law.

Shops, educational institutions and many offices in Srinagar and the key valley of Kashmir remained closed for the day in protest against the dismissal of the Abdullah Government and there were reports of demonstrations. Dr Abdullah had issued a call for a general strike which was widely heeded, although the curfew imposed on Monday was lifted yesterday morning.

The paramilitary forces were flown into Srinagar by the Indian Government following fears of violence in Kashmir because of the political upheaval. So far, the army has not been used and soldiers remain in their positions along the Pakistani "line of control" established after the last Indo-Pakistan war in 1971.

Mr Jag Mohan, the Governor of Kashmir, and Prime Minister Indira Gandhi, who is widely believed to have engineered the dismissal of the Abdullah government, were strongly criticised yesterday by opposition parties. These described the dismissal of the state government as unconstitutional.

There is widespread feeling that the governor should have given Dr Abdullah the opportunity to test his strength in the state legislature or called for elections rather than act in unseemly haste. The governor has, instead, given Mr Shah a month to prove that he has the majority in the House and this gives the new Chief Minister ample time for manoeuvre.

Singapore reserves rise to $9.4bn

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE'S official foreign reserves, continuing a seemingly inexorable upward trend, have pushed through the S$20bn mark to the equivalent of US$9.4bn, a figure remarkably high when compared to, say, Britain's US$15.5bn.

The latest figure for February 1984 compares with S$18.3bn a year earlier and S$336m in 1959, when Singapore first became self-governing after decades of British rule. The true value of the reserves is far higher as gold holdings are believed to be valued at the old price of US$35 an ounce.

Details of Singapore's reserves policy are a well-kept secret. It is understood that they are held principally in gold, U.S. dollars, sterling, D-Marks, Swiss francs and yen, but the proportions are not publicly known.

The Government of Singapore Investment Corporation (GSIC) has managed the reserves since being formed in 1981, after suggestions that the monetary Authority, Singapore's quasi-central bank, had lost money.

The authority has never had the responsibility for issuing currency in the island state. That is the task of the Currency Board and Singapore is one of the few countries in the world without a fiduciary issue. This means it backs every dollar it issues with gold or other foreign assets.

This is in line with the views of Dr Goh Keng Swee, Deputy Prime Minister and acknowledged architect of Singapore's economic miracle. He believes that the way money is managed in most states has nearly always been for the worse, and he puts the stability of the currency above most other factors as the key to political stability.

The result of this policy has been to make the Singapore dollar one of the few currencies —if any—to have remained stronger than the U.S. dollar in the past couple of years. The Monetary Authority has actually intervened to support the U.S. dollar against the Singapore unit recently.

Egyptian leaders discuss new Cabinet

EGYPT'S leaders are deciding this week on a new Cabinet. The new Prime Minister seems certain to be Gen Kamal Hassan Ali, who is acting Premier, writes Tony Walker from Cairo. His appointment would consolidate the position of those with a military background at the top of Egyptian government.

President Hosni Mubarak is a former Air Force officer, and the powerful Defence Minister is Field Marshal Abdel Halim Abou Ghazala. Consultations on the formation of the new Cabinet are expected to last until the end of the week.

Tokyo aids Burma

Japanese Prime Minister Yasuhiro Nakasone told Burmese President U San Yu yesterday that Japan will extend Y46bn (£143m) in aid to Burma this fiscal year, a Foreign Ministry official told AP-DJ in Tokyo. The new credit is 7.3 per cent more than last year's. The Burmese leader said after a meeting with Mr Nakasoe that the money would be used for several projects, including the expansion of Rangoon airport.

UK emissary

Sir Crispin Tickell, special emissary of British Prime Minister Margaret Thatcher, arrived in Indonesia yesterday for three days of talks with the country's leaders, AP reports from Jakarta. Sir Crispin said on arrival he would be briefing the Indonesians on the outcome of the recent London economic summit meeting.

Lagos payments

The Nigerian central bank has taken control of the country's travellers' cheques system to ensure prompt payment abroad, the Opec news agency reports from Lagos. All commercial banks and authorised dealers are effectively forbidden to act as direct agents for this purpose, and banks have been warned that they would be penalised if they failed to provide "proper and adequate" documentation.

Liberia elections

Liberia went to the polls yesterday to vote on a new constitution designed to pave the way for a return to elected civilian government after almost six years of military rule, reports AP from Monrovia.

Lebanese peace plan gets under way

BEIRUT — The Lebanese Government's peace plan got under way yesterday as Moslem militiamen disappeared from the streets of West Beirut and Christian forces began withdrawing their big guns from the eastern part of the city.

Army sources said mixed units of Christian and Moslem troops would start fanning out last night or early today to take over militia positions as the militiamen pulled out.

Beirut radio said 9,000 troops from three Moslem-Christian brigades were ready to enforce the greater Beirut peace plan agreed by the National Unity Government of Moslem and Christian leaders.

No armed militiamen could be seen in Moslem-controlled West Beirut except for bodyguards of Moslem leaders and guards at militia depots. None was in uniform.

For the first time in five months, troops and police were the only armed, uniformed men on the streets.

It was a sudden return to comparative normality after the period since February when gunmen in a variety of uniforms swarmed through the streets following the seizure of West Beirut by Druze and Shi'ite Moslem militias.

The Moslem militias on Monday night ordered their men to stop wearing uniforms and carrying guns in the city, in order to facilitate the army's peace operation.

At a Druze militia depot, a solitary young guard wearing a T-shirt and carrying a Kalashnikov rifle smiled and shook hands with a reporter. "It is peace," he said.

In East Beirut, where disciplined Lebanese Forces Christian militia are rarely seen on the streets, militiamen were seen transporting heavy weapons out of the city.

In West Beirut a spokesman for the Druze Progressive Socialist Party militia said it would complete its withdrawal of heavy weapons by tonight.

The Shi'ite militia Amal had not started withdrawing its big guns but had drawn up plans to do so.

There were no reports of clashes along the length of the nine-mile front.

Reuter

SA likely to resume Angola withdrawal

BY JOHN STEWART IN JOHANNESBURG

THE WITHDRAWAL of South African security forces from southern Angola is expected to resume after assurances were received by Foreign Minister Mr R. F. Botha from the Angolan Government.

Mr Botha is understood to have reported at yesterday's meeting of the South African Cabinet that two issues which had been holding up troop withdrawals had been satisfactorily resolved after a meeting in Lusaka on Monday with Mr Alexandre Kito, Angola's Interior Minister.

The first of the issues clarified was a request by the South Africans to convert the Joint Monitoring Commission into a permanent security body which would ensure a cordon sanitaire between Namibia and southern Angola after the withdrawal of the South African army. The second request concerned the date for final withdrawal.

The Angolan delegation at the Lusaka talks said it was more agreeable to the idea of converting the U.S.-supervised joint monitoring commission to a permanent peace-keeping force, South Africa reciprocated with a more flexible approach to the rigid pre-conditions set down in February this year for finally withdrawing its troops.

There has been a considerable delay in the timetable laid down for final withdrawal, originally scheduled for June 30. The joint monitoring commission, comprising South African and Angolan troops, has been delayed at the Angolan border town of Ngiva for some weeks.

Altogether 21 violations have been reported to the commission in recent weeks concerning activity by either South Africa or guerrillas of the South West Africa People's Organisation (Swapo). It is clear that there is still a considerable Swapo presence in southern Angola and until the forces of the nationalist movement depart from the area for confinement to monitored camps further north the South Africans have refused to implement final withdrawal.

According to South African sources, it appears that Angola, engaged in heavy contacts with the rebel movement Unita, is not able to control Swapo's activities to the extent that would satisfy the South Africans.

Electricity strikes hit Israel

By David Lennon in Tel Aviv

ISRAEL SUFFERED sporadic electricity blackouts yesterday as the Electric Corporation staff went on strike in support of wage demands. By mid-afternoon the main power station at Hedera had ceased to function.

The corporation staff joined 60,000 engineers and university graduates working for local authorities who began a strike yesterday to take advantage of the pre-election atmosphere to press their demands for sizeable wage increases to offset the country's massive inflation.

With general elections less than three weeks away, most of the country's wage-earners see this as their last opportunity to squeeze concessions out of a government keen to win votes, as the opinion polls show it trailing badly behind the opposition Labour Party.

Only a week ago another series of strikes was averted when the government agreed to meet demands by some trade unions for a 15 per cent wage rise. The engineers and academics are demanding larger increases because of the sophisticated nature of their jobs.

Efforts were continuing all day yesterday to end the strikes. The longer the work stoppages continue, the greater the danger of serious problems with hospitals, industry, and the sewage and water networks.

Television and radio broadcasts are also being disrupted as the journalists protest at the lack of progress in the negotiations on their wage demands. Only party political broadcasts have escaped sanctions by television and radio staffs.

Ivory Coast approves new investment code

BY PETER BLACKBURN IN ABIDJAN

THE IVORIAN Government has approved a new investment code confirming the country's liberal economic policy and encouraging small and medium-sized enterprises, job creation and industrial decentralisation.

The long-awaited legislation replaces an outdated 25-year-old code and is part of a series of industrial reforms recommended by the World Bank.

These include a revision of import duties on semi-processed and finished products—food excepted—giving an average protection rate of 40 per cent import quotas and licenses have been abolished and replaced by temporary surtaxes. Subsidies are being offered on certain manufactured exports.

The country's fiscal regime has also been revised.

The previous investment code was designed mainly to attract large scale foreign investment and ignored small, labour intensive enterprises, many of which are now Ivorian-owned.

Enterprises of economic interest to the country can benefit from priority status lasting from seven to 12 years. Such enterprises are likely to be small scale, labour intensive agro-based or other local processing industries located in the interior of the country, away from the commercial capital, Abidjan.

Incentives are offered both for the establishment and operation of businesses.

Crops hit by African drought

NAIROBI — Six southern African countries will need 1.35m tonnes of food aid in 1984-85, almost twice as much as the previous year, the UN Food and Agriculture Organisation said yesterday.

The organisation, in a special report released in Nairobi, said Angola, Botswana, Lesotho, Mozambique, Zambia and Zimbabwe would need to import about 2.6m tonnes of cereals in 1984 because of three years of insufficient rain.

About 1.35m tonnes would have to come as food aid, of which some 240,000 tonnes were already pledged.

Overall, food aid pledges for East Africa were 200,000 tons short for 1983-84.

Reuter

AMERICAN NEWS

Lusinchi signs wage and price curbs law

By Joseph Mann in Caracas

PRESIDENT JAIME LUSINCHI has signed into law a controversial bill aimed at setting up a new system for regulating prices and wages.

Under the Costs, Prices and Salaries Law, passed by the Venezuelan congress last week, the executive will name a special panel to oversee all major decisions concerning price and wage increases.

The panel—to be called the National Commission on Costs, Prices and Salaries — will be made up of three cabinet members, the ministers of development, finance and labour, plus a representative of organised labour and a representative of Fedecamaras, Venezuela's largest business association.

It is not clear yet just how much power this committee will be given. If, however, it is allowed to have the final word on any significant wage and price increases, it will clearly become an important factor in the country's decision making process. With three out of five seats, the Lusinchi government will hold a majority on the committee, which at some future date may take over many of the duties of the administration's cumbersome price control apparatus.

The administration, Lusinchi's Social Democrat Party and organised labour (represented by CTV, the Venezuelan-Labour Federation) backed the law passage calling it a basic legislative tool for implementing the President's social pact.

Under the pact, Lusinchi foresees a constant series of consultations among high-level representatives of government, business and labour that would permit a consensus on important national issues and avoid potentially violent confrontations among the three forces. The Costs, Prices and Salaries Law, once implemented, will be the first serious test of Lusinchi's concept of the social pact.

Venezuelan business leaders actively opposed the law, arguing that it would create additional bureaucracy, perpetuate price-controls and complicate union-management discussions of wages even further.

The committee's constitution is an improvement for business interests over an earlier version proposed in congress.

A fateful choice for Mondale

The gender gap poses political perils, reports Reginald Dale

BY ACTIVELY encouraging the notion that the time is finally ripe for a woman in the White House, albeit initially as vice-president, Mr Walter Mondale has let a genie out of the bottle that is threatening no longer to do his bidding.

Until only a few weeks ago, the idea of a woman vice-president was little more than a gleam in the eye of the American women's movement. Now it has suddenly acquired an expectation-fed momentum that is presenting the prospective Democratic presidential nominee with what may well be the most fateful choice of his entire 1984 campaign.

By the end of this week, Mr Mondale will, without any commitment, have interviewed three women in his highly-publicised search for a running mate. They are: Mrs Dianne Feinstein, the mayor of San Francisco; Mrs Geraldine Ferraro, a three-term congresswoman from New York; and Mrs Martha Layne Collins, the governor of Kentucky.

"I am considering a number of women," he says, "not because they're women but because they're among the best. And if I choose a woman it will be because she is the best."

At last weekend's annual convention of the 250,000-strong National Organisation for Women (NOW), the country's most powerful women's group, of which he is himself a member, Mr Mondale seemed to think that that in itself was enough. Even if he now chooses a man, he appeared to imply, he will have broken the barrier between the sexes by the very act of having considered women candidates.

That, however, will not be enough for many of his most active and vocal female supporters. Some leading feminists and women politicians are now demanding that half the cabinet be filled by women, as well as the vice-presidency — not to mention the Supreme Court. Others are questioning whether women should be fobbed off with the vice-presidency — a position which Republican Senator Robert Dole once described as "an indoor job with no heavy lifting."

Women's leaders are now openly threatening a damaging floor fight at the Democrat convention later this month in a bid to impose a woman on the ticket "if necessary," and some are even talking of a walk-out. With women filling half the 3,933 delegate seats at the Convention, and 400 of them now members, Mrs Judy Goldsmith, the organisation's president, says there is good reason to believe that such a revolt from the convention floor — an unprecedented in modern times, could be successful.

Geraldine Ferraro

Martha Layne Collins

Dianne Feinstein

Democrat Party officials remain deeply sceptical about this. But trouble could also come from Senator Gary Hart and his 1,250 delegates (against more than 2,000 for Mr Mondale), has yet to concede defeat in his own bid for the presidential nomination. Last week he mischievously suggested that he would choose a woman running mate and announce it before the convention — a move that would certainly put Mr Mondale on the spot if he were thinking of opting for a male partner.

The women's leaders are divided over how far to press the issue if Mr Mondale were to select a man with a good "feminist" record and offer other concessions in their concerns. Most of them accept that the overriding priority in the end is to defeat the arch "anti - feminist" President Ronald Reagan.

For the moment, however, they are united in fighting for a woman running mate and refusing even to consider a fall-back position. They claim that the country as a whole is not just ready for, but actively wants a woman vice - president and that the only way to beat Mr Reagan is to put a woman on the ticket—so as to exploit the so-called "gender gap." The polls regularly show Mr Reagan's popularity rating about 10 percentage points lower among women than men —and 54 per cent of this year's registered voters are women.

A number of recent surveys have shown majorities in favour of a woman on the Democratic ticket. Proponents of the idea also argue that they show that any harm it would do among conservative men and also women voters, would be more than offset by increased support from women and sympathetic males. The examples of Mrs Margaret Thatcher, Mrs Indira Gandhi and the late Mrs Golda Meir are widely cited as proof that the U.S. is sadly behind the times.

That raises the question of who the American equivalent should be—and it is clear that for the moment the overwhelming favourite is the 48-year-old Mrs Ferraro, who is generally agreed to have done an impeccable job chairing the committee that completed the party's draft election platform at the end of last week.

She already has heavyweight support from Mr Tip O'Neill, the powerful Speaker of the House of Representatives, the influential Governor Mario Cuomo of New York and numerous party and women's group leaders. Mr O'Neill has even committed himself to the prediction that the vice presidential nominee is going to be either Mrs Ferraro or Mr Hart.

That goes to the centre of Mr Mondale's dilemma. While the polls show general support for a woman, they also seem to show that Mr Hart would be the most effective running mate in the final analysis. Mr Hart has recently polled much better than Mr Mondale in trial runs against Mr Reagan—although he, too, is still well behind.

Political strategists who have worked with women candidates in the past have begun issuing dire warnings that many people who happily tell pollsters that they are in favour of women do not follow through with their votes. There is, they say, a "threshold" which women have very rarely passed—they may, for instance, win campaigns for state treasurer, or lieutenant governor, but very rarely for governor.

None of the women candidates, they warn, has the traditional lengthy experience as state governor or U.S. Senator (Mrs Collins has been Governor of Kentucky for only six months) and a woman would, admittedly unfairly, come under much greater scrutiny than a man.

Behind it all, of course, is the largely unasked question of whether the U.S. is ready not just for a woman vice-president, but for a woman president — given that people to the "heart-beat away" position have not infrequently in American history succeeded to the presidency.

For Mr Mondale, the choice of a woman would be a tremendous gamble that could either win him or disastrously lose him the White House.

China to sell MiG jets to U.S. company

By Our U.S. Editor in Washington

A MAJOR American defence company has arranged with China to buy up to 24 Soviet-designed MiG-24 jet fighters for possible use by the U.S. Navy as "adversary aircraft" in pilot training exercises.

The LIV aerospace and defence company confirmed reports that the Chinese Government had agreed to sell the aircraft, first developed by the Soviet Union in the 1950s, from its own production lines at a cost of between $3m and $4m each.

The company said that the aircraft would be modified in the U.S. in the hope that they could be sold to the U.S. Navy, which is seeking mock "enemies" for training. The Pentagon said that no decision had yet been made on the offer and a final decision was expected in September.

American pilots have for years used Soviet aircraft, including MiG-21s, for simulated combat practice. The "enemy" pilots try to imitate Soviet air tactics in fly-offs against U.S. aircraft. The sources of the Soviet aircraft have usually been kept secret in the past, although some of the MiG 21s are believed to have come from Egypt.

There is also evidence that the U.S. has now acquired the more sophisticated MiG-23. American aircraft such as the Mcdonnell Douglas A-4 and the Northrop F-5 are also painted with Soviet markings for "adversary" roles.

Tentative agreement on Olympics coverage

HOLLYWOOD — Television directors reached tentative accord with film and TV producers and the three big American television networks on Monday, apparently averting a first-ever strike which could have crippled coverage of this summer's Olympics and political conventions.

The national board of the Directors' Guild of America recommended acceptance of contract proposals forged during a weekend of bargaining that continued until Monday, when guild members began voting on the contract.

Reagan officials feel they have wrested arms talks initiative

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

REAGAN Administration officials feel they have grabbed the political, and the propaganda, initiative from the Soviet Union in the latest shuttlecock exchange of superpower statements on the future course of arms control negotiations.

They believe that last week's proposal from the Kremlin for September talks in Vienna on space weapons may have backfired badly.

Moscow, according to Washington's analysis, was not expecting a speedy acceptance of the proposal from President Reagan, before the U.S. had even forked out a negotiating position.

Mr Reagan has been, in the past cool to the idea of negotiations on anti-satellite and space weapons, and Moscow seems to have thought he would decline the offer.

Mr Reagan's reluctance to negotiate on such weapons is due to at least three factors. First, he maintains that any agreement would be virtually impossible to verify. Second, he thinks the U.S. needs time to catch up with Soviet advances in anti-satellite weaponry. Third, He wants his hands free to proceed with his ambitious "star wars" programme for a new generation of space-based defensive weapons against Soviet nuclear missiles.

According to U.S. thinking, by making their offer the Soviet leaders were hoping to put themselves in a position from which they could not lose. If Mr Reagan rejected it, he could be portrayed as bellicose and intransigent.

If he accepted, Moscow could acquire some leverage on the U.S. programme and hope that congress would slow it down while negotiations lasted.

Instead, Mr Reagan turned the tables by accepting the nivitation, adding that he wanted to use the talks to reopen the stalled Geneva negotiations on intermediate-range missiles in Europe and strategic nuclear forces, which Moscow suspended last year.

He has, according to his officials, put the ball in the Soviet court, with the aim of pinning responsibility on Moscow if the talks do not take place. In any case, U.S. public concern is considerably more acute over existing nuclear missiles than over futuristic "star wars" schemes that may never in fact materialise.

Ideally, Mr Reagan would like to have a meeting in Vienna, before the U.S. elections—in November. He *is* under fire from Democrats for failing to conduct any arms control talks with the Soviet Union. He would welcome a concrete sign that some kind of dialogue is resuming.

He has not, however, satisfied his critics. Mr Walter Mondale, Prospective Democratic challenger, maintains that Mr Reagan should have simply accepted the Soviet offer without trying to link it to the nuclear missile talks.

Mr Reagan must know by now, his opponents say, that Moscow is just not willing to resume the missile negotiations in current conditions. Moreover, they add, by agreeing only to talks about talks on space weapons, Mr Reagan has not actually accepted brass-tacks negotiations.

Environmentalists outraged

BY NANCY DUNNE IN WASHINGTON

PRESIDENT RONALD REAGAN provoked howls of outrage from environmentalists yesterday after the White House announced the appointment of Mrs Anne M. Burford, the former head of the once scandal ridden Environmental Protection Agency (EPA), as chairman of the National Advisory Committee on Oceans and Atmosphere.

Mrs Burford last year resigned from the EPA amid charges of political favouritism and mismanagement in the agency's toxic waste clean-up programme. Both she and the President denied any wrongdoing, and the White House ultimately offered her a selection of new jobs.

To environmentalists the appointment was a slap in the face.

IFC to finance Third World oil exploration

BY MAURICE SAMUELSON

THE INTERNATIONAL Finance Corporation (IFC), private sector arm of the World Bank, is to earmark up to $500m over the next five years for oil and gas exploration in developing countries.

Although the Washington-based corporation has participated in small scale energy projects over the past four years, it has now decided greatly to expand its involvement in exploration and energy development activities.

Mr Richard Richardson, director of its development department, said in London yesterday that the corporation wanted to encourage small, independent oil companies to play a leading role in developing energy resources of Third World countries.

Discussions with independents had confirmed that a direct sharing of exploration risks with the World Bank and its offshoots, and subsequent financing of development ventures, should increase the willingness of these companies to invest in developing countries.

The corporation had previously been reluctant to be associated with individual, high risk ventures. But its risks would be reduced by being involved in a multiplicity of projects.

Between 1985 and 1989, the corporation would earmark $100m of equity capital for investment in exploration ventures, with a further $60m of equity and $240m in loans commited to further development of exploration ventures which proved successful.

An additional $250m of investments and lending was planned in the next five years for projects unrelated to the exploration programme.

The $500m energy programme would include coal, geothermal and alternative energy projects, as well as oil and gas financing, and was likely to form part of total project capital expenditures of $3-$4bn throughout the five year period.

The energy programme would concentrate on countries with what Mr Richardson called "modest geology," whose deposits weerr egarded as too small to be exploited by major oil concerns. The corporation's equity stake in exploration ventures would be 10 to 12 per cent.

Atlas-Copco in Chinese tunnelling plant deal

By Kevin Done in Stockholm

ATLAS-COPCO, the Swedish Engineering Group, has completed two licensing agreements for the manufacture of drilling components for tunnelling equipment in China.

The agreements cover the transfer of technology to two factories in Nanjing and Shenyang and will run initially for eight to nine years.

The agreements also include the regular shipment of Atlas-Copco drilling equipment and components to China, which is expected to have a growing demand for tunnelling machinery, chiefly for power stations, coal mines and railway tunnels.

Earlier this year the group signed two other licensing deals with China covering the manufacture of compressors in Wuxi and Dingin.

With weak demand in many of its established markets Atlas-Copco considers that China offers considerable long-term potential for increasing sales.

● Acna Chimica Organica (Montedison Group) of Italy will supply technology and main equipment for a finishing plant for dyestuffs to be built at the chemical site of Jilin in north-east China) by the China National Chemical Construction Corporation, our Trade Staff writes.

Canute James reports from Nassau on divisions in the Caribbean Community

Grenada invasion clouds Caricom talks

THE LEADERS of 13 English speaking Caribbean countries today begin afour-day meeting in which they hope to stem a slide towards disintegration of the region's economic community. The 11-year-old organisation has been wracked by growing trade protectionism and political disputes.

Planned as a framework for the integration of the region's small and weak economies, based on free trade between its members, the Caribbean Economic Community, with a market of 5m has foundered on policies implemented by governments to protect their domestic economies.

When they sit together, the region's leaders will be attempting to end a series of trade disputes which have caused a downturn in regional commerce, in the hope that by leaning on eacho ther, they will be better able to breathe new life into theri economies.

Although meeting to discuss economic issues, the deliberation of the Presidents, Prime Ministers and chief ministers of the regio nwill inevitably be conditioned by one political factor which will not be on their agenda—the fallout from last October's U.S. invasion of Grenada, a member of the Caribbean Community.

The invasion split the group down the middle between those such as Jamaica and Barbados, which supported the invasion, and the others including Trinidad and Tobago and Guyana, which opposed it.

● Mr Seaga: tempers have cooled ● Mr Burnham: still incensed

That they will be meeting at all supports the recent conclusion of Mr Edward Seaga, the Prime Minister of Jamaica that tempers have cooled significantly. "We will not know until we get together but I think time is certainly dissipating a lot of the differences," Mr Seaga said.

Moves towards reconciliation, however, could be undone by Mr Forbes Burnham, the President of Cuyana, who is known to be still incensed by the Grenada issue. It is not likely, however, that the Guyanese leader will repeat his discriptions of leaders who supported the invasion as being puppets and stooges of the U.S.

Mr Seaga and Mr George Chambers, the Prime Minister of Trinidad and Tobago will be in the hot seat when trade issues are raised. Trinidad has demanded that imports be checked by a system of licences—a move which has hurt traditional exporters to the twin island state, which is the community's richest member.

Jamaica's frequent devaluations, and its Government's problems in obtaining hard currency to finance imports has reduced the island's attraction to its neighbours. But Jamaica consitutes just under a half of the Community's market.

The moves by these two countries contributed to a fall in the value of trade within the Community last year. Mr Roderick Rainford, the secretary-general of Caricom, said last week that this declined from US$535m (£400m) in 1982 to $464m last year.

It seems unlikely that the value of regional commerce will reach the $750m target which Community trade ministers had set for next year.

Central to easing the trade problem will be unlocking a trade payments facility which last year reached its $100m limit — mainly because Guyana used up $90m.

Agreement on this should not be difficult, trade officials here say. The real difficulty, they believe, is long-term financing for trade. The summit will be considering a proposal for the region's central banks to make a joint approach to international financial institutions for between $50m and $100m to provide trade credits.

In the past five years several leaders have concluded that the community market of 5m people was to small and that it should be widened. The region's foreign ministers have recommended to heads of government that they make the Dominican Republic and Taiti observers on some Community organisations —usually a prelude to membership.

There is every likelihood that the Dominican Republic's applications will be accepted in a few years, making the first non-Anglophone member of the Community. There is, however, some reluctance about admitting Haiti. The country's weak economy and large population are thought by some Caribbean Community members as being potentially a hindrance to the group's progress.

Surinam, which has also applied for Community membership is already an observer to some proceedings.

The issue of membership could be a major point at the summit. Mr Seaga and Mr Tom Adams, the Prime Minister of Barbados, have suggested that the Community treaty be altered to make membership easier.

New members are admitted on a unanimous vote. For any country to be thrown out of the Community, it has to consent to the vote itself. The proposal is for a majority vote to determine who comes in and who leaves, but this has already met opposition from several members.

The proposed changes to the treaty are not likely to be welcome by Mr Burnham. When the proposal was first made public the move was generally assumed in the region to be aimed at evicting Cuyana from the Community.

Japanese steel companies increase sales to China

TOKYO—Six Japanese steel-makers have jointly received fresh orders for 1.23m tones of steel from China, an official of Nippon Steel said yesterday.

The steel-makers and China also have agreed to increase teh price of steel sold to China by several percentage points, the official said. But he declined to give the price or percentage of the increase.

With the latest orders in hand, the six Japanese steel producers expect total exports of ordinary steel and seamless pipes for the second half of 1984 to be more than 3m tonnes, compared with 3.43m tonnes reached in the previous half-year period, the official said.

The group of steel-makers, led by Nippon Steel, had exported 3.32m tonnes of ordinary steel and seamless pipes to China in the first half of 1983, and then followed that with another 3.19m tonnes in the second half of 1983, the official said.

The group already had agreed with China to increase seamless steel exports in the July-December period by more than 200,000 tonnes from the January-June period and to raise the price of seamless pipe by about 10 per cent.

Other steel-makers in the group are Kawasaki Steel, Sumitomo Metal Industries, Kobe Steel, Nippon Kokan and Nisshin Steel.

● Ishikawajima-Harima Heavy Industries (IHI) said it won an order from Evergreen Marine of Taiwan to convert seven freighters into container carriers for an undisclosed price.

Agencies

Iran fails to pay interest on Japanese loan

TOKYO—Iran's latest interest payment of Y2.bn (£8m) on Japanese loans for a multi-billion-dollar joint petro-chemical project is more than a month overdue, Kyodo News Service reported yesterday.

Iran promised Japan's Mitsui Group, n Japanese partner, in July last year to pay Y2.6bn every three months as interest on the Y125bn loans.

Iran, however, has failed to pay the latest quarterly instalment due May 29, Kyodo said. It said the last interest payment was made in February.

Mitsui officials declined to comment, but industrial sources said Mitsui expected Iran to pay the interest sooner or later.

The project, involving the National Petrochemical Company of Iran and the Tokyo-based Iran Chemical Development Company of the Mitsui Group, has been suspended because of the Iranian revolution and the Iran-Iraq war. About Y600m had been spent on the project since 1973, and it is about 85 per cent complete.

AP

Moscow puts off Lurgi gas plant contract

PARIS — Technical problems are holding up a $200m deal or a gas desulphurisation plant in the Soviet Union to be built at the Tenguiz gas field in Kazakhstan by a team led by West Germany's Lurgi Group, but signature is expected during the autumn, a spokesman for Uurgi said.

The Soviet Mashinoimport agency sent a letter of intent on April 20 offering the contract to the companies involved, Lurgi, Lavallin and Litwin, he said in answer to questions.

The three foreign owned companies won the deal against opposition from France's Technip, despite official protests that French companiea bave *won too few* large Soviet contracts recently.

French Foreign Trade Ministry officials denied press speculation that the Soviet decision was politically inspired.

But the lack of contracts and the start earlier this year of gas deliveries through the Siberian pipeline bave aggravated France's growing complaints about its adverse trade balance with the Soviet Union, they said.

Reuter

Egypt buys UK hydroponic grass-growing equipment

BY LORNE BARLING

HYDRODAN of Corby a manu-growing equipment, has won an facturer of hydroponic grass-export order for 160 of its con1 tainer shaped units from the Egyptian Agricultural Development Bank.

The order worth more than £1m is regarded as a break-through for sale to developing countries with harsh weather conditions where the system offers advantages for livestock farming.

The Egyptian order, backed by the World Bank, follows a 12-month trial of two machines at El Enir 200 miles south of Cairo, which has proved successful in providing food for sheep, goats and cattle.

Mr Geoffrey Lusty, managing director of Hydrodan, said be hoped to negotiate a second deal in Egypt and added that five machines had been ordered for trial ni Chnia—four in Zinjiang Province and one in Chejiang Province.

China suffered from difficult
These north west areas of weather conditions he said, and the use of the machine was intended to avoid the need to slaughter or move animals during the winter.

It was hoped that a substantial order from China would follow the trial period, and in the long term, it could become an important market.

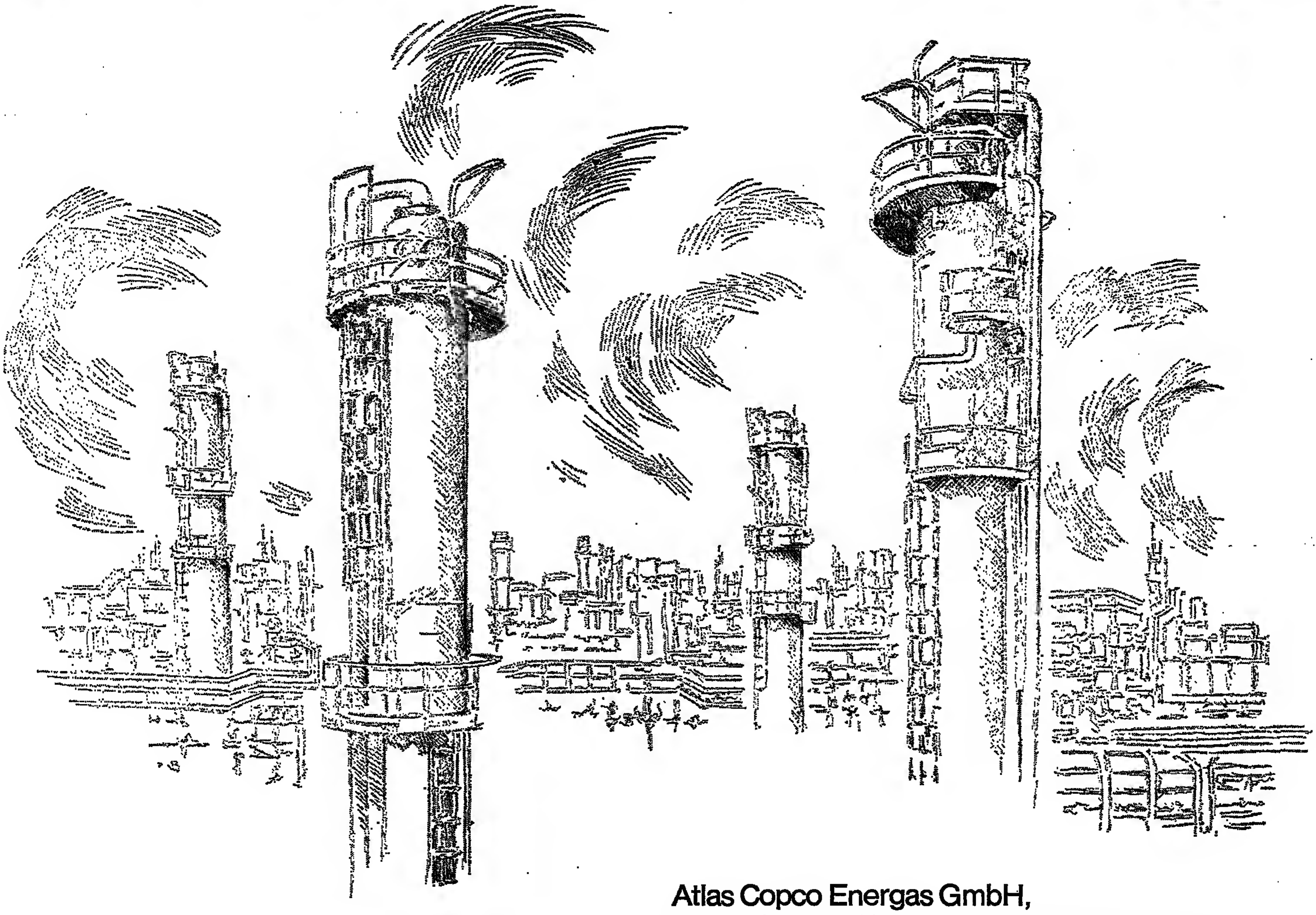
Davy McKee's Boots deal

DAVY McKEE of the UK has won a contract from Boots Pharmaceuticals to provide engineering, project management and site construction management services for Boots' new $38m (£28m) facility to be built at Shreveport, Louisiana, Our Trade Staff writes.

The project will be undertaken by Davy McKee's Chicago office which had previously completed a preliminary engineering study for Boots.

Boots Pharmaceutical is the rapidly-growing U.S. division of the Boots Company, of Nottingham. The Shreveport facility will become the U.S. headquarters site of Boots Pharmaceuticals.

Now, a global resource of application-designed gas and process compressor technology.



Atlas Copco has purchased the Gas & Process Compressor sector of Linde A.G., West Germany.

Part of Linde's Refrigeration and Shop Equipment Division (including US subsidiary, Lotema Corporation), products include three, four, five and six stage centrifugal compressors, expansion turbines and non-lubricated reciprocating compressors.

Atlas Copco has launched Atlas Copco Energas, a synergy of world-wide skills, knowledge and experience.

ATLAS COPCO—110 year old international company specialising in air and gas compressors, mining, construction and industrial equipment. 16,000 employees, 38 factories, sales and service companies in 50 countries and $1 billion annual turnover.

Atlas Copco

Atlas Copco Energas GmbH,

Köln, W. Germany. The newly formed headquarters of Atlas Copco's gas and process sector, incorporating:

•KÖLN WORKS—design and manufacture of expansion turbines, centrifugal and reciprocating compressors. Acquired from Linde AG, June 1984.

•SAARBRÜCKEN WORKS - design and manufacture of reciprocating compressors and technology for gas and steam screw compressors. Formerly Ehrhardt & Sehmer.

Worldwide resources include:

- Atlas Copco Comptec Inc., Voorheesville, NY. US engineering and manufacturing centre for gas and process industry.
- Energy Industries Inc., Corpus Christi, Texas. Supplier of high speed boxer compressors for field gas gathering - outside USA and Canada.
- Your local Atlas Copco company for project information and service.

WORLD TRADE NEWS

Guy de Jonquieres analyses the legal battle between the EEC and IBM

War of nerves nears climax

A SHOWDOWN is nearing in the prolonged war of nerves between the European Commission and IBM of the U.S., the world's largest computer manufacturer.

In the next few weeks – possibly before the end of this month – the Commission is expected to disclose how it intends to resolve its controversial competition case against the company, which it has charged with abusing a dominant market position in violation of the Rome Treaty.

The case is the biggest and most complex of its kind in EEC history. After several years of backroom jousting between lawyers, behind-the-scenes lobbying by IBM in EEC capitals and, more recently, attempts to reach a negotiated settlement, both sides have raised the stakes in the past few weeks by going public with the dispute.

Calculated press leaks from Brussels, apparently intended to step up the pressure on IBM, have been met by outspoken ripostes from the company's normally publicity-shy senior executives. Mr John Opel, IBM's chairman, and Mr Nicholas Katzenbach, its chief legal adviser, have denounced the case and made clear that the company is prepared for a fight to the finish if necessary.

"It has gone far beyond being a normal anti-trust proceeding – it has become a political battle," says one independent Brussels lawyer. "The debate is not longer over legal rights or wrongs, but over whether the Commission has the stomach for a major confrontation with IBM or will simply put its tail between its legs and retreat."

The Commission has picked a formidable opponent. With total revenues last year of $40bn, IBM bestrides the information processing industry like a colossus. It is the overwhelming force in large "mainframe" computers, accounting for about two-thirds of all machines installed; and is rapidly emerging as market leader in personal computers as well.

With so many of the world's biggest customers using its equipment, IBM also controls many of the most widely-used industry standards. This advantage increasingly worries its smaller rivals, both in the U.S. and Europe, who complain that it gives IBM a significant competitive advantage.

In Western Europe its annual turnover of $10bn almost equals the combined total of its 10 closest competitors, and in every major European country its sales are at least double those of the largest indigenous manufacturer.

It also has a massive industrial presence in Europe, where it employs 100,000 people, only a handful of them Americans. It has 15 plants, which make 90 per cent of what it sells locally, nine research and development centres and last year paid almost $1bn in taxes, making it one of Europe's 10 largest taxpayers. Mr Opel likes to boast that IBM has contributed more than any other computer manufacturer to Europe's economic prosperity.

It is not just IBM's sheer size which worries its smaller rivals, but the extraordinarily voracious drive with which it competes – both in compnters and increasingly in fields such as telecommunications and financial information services as well. "IBM does not behave like other U.S. companies," says one EEC official. "It behaves like the Japanese: it fights for every last per cent of every market."

Its European competitors, and some EEC governments, would like to see IBM's relentless advance checked. But many doubt whether the EEC has a strong enough legal case to dent the IBM challenge, and some question whether the Commission can hope to do much more than emerge from the proceedings with its dignity intact.

The case has been highly political from the outset. The Commission began investigating IBM in 1973, prompted by complaints by several American computer companies and by the anti-trust action launched by the U.S. Justice Department five years earlier. Encouraged by pressure from the Carter Administration, it started proceedings against IBM in late 1980.

But the political winds shifted abruptly barely two years later, when the Reagan Administration decided to drop the U.S. case and began to urge the Commission to follow suit. One senior Reagan official even indicated that Washington would view a continnation of the EEC action as tantamount to an attack on U.S. commercial interests.

DATA PROCESSING REVENUES IN WESTERN EUROPE

Company	1983 Revenues ($m)
1 IBM (U.S.)	10,634
2 Bull (France)	1,537
3 Siemens (W. Germany)	1,380
4 Olivetti (Italy)	1,160
5 Digital Equipment (U.S.)	1,063
6 ICL (UK)	984
7 Nixdorf (W. Germany)	926
8 Burroughs (U.S.)	860
9 NCR (U.S.)	841
10 Hewlett-Packard (U.S.)	775

Source: IDC Europe

The Commission bas so far stuck to its guns, though it bas narrowed its case to one key charge – that IBM has restricted competition in the market for 370-type "mainframe" computer processors (in practice, all IBM's biggest machines) – by withholding "interface" information about their physical design and the operating software which controls them.

This practice is alleged to have inhibited the ability of other manufacturers to make "plug-compatible" machines designed specifically to work with or substitute for IBM equipment. (The EEC is also pursuing another, relatively minor, charge concerning IBM's marketing policy for computer memories.)

The Commission wants IBM to publish much more technical information about its products, and to do so within 30 days of announcing them instead of waiting until they are first delivered to customers, as at present. Furthermore, it is seeking more comprehensive disclosure not just about the 370-type processors but also about a wide range of other IBM products, such as terminals and disk drives, and the communications techniques used to link them together.

The company contends that the Commission's allegation of dominance is based on far too narrow a product description which amounts to little more than the IBM brand-name market. It says that the definition should be widened to include computer processors of all types and sizes. On that basis, it claims, its market share would be less than 30 per cent.

It strongly opposes the Commission's demand for more comprehensive disclosure of technical details about other equipment in its range. The company claims that this is based on a misunderstanding of how modern computer systems function and assumes, incorrectly, that all the different parts of a large installation are totally controlled by instructions from the central processor.

IBM emphasises that no customer bas complained about its disclosure policies, which it says cooform to accepted industry practice. It contends that the changes which the Commission wants would produce little direct benefit for European manufacturers either, since none makes large plug-compatible machines which run on IBM software.

Several European manufacturers, including Britain's ICL and West Germany's Siemens, market large plug-compatible computers made in Japan. In the U.S., one of the two leading plug-compatible suppliers, National Advanced Systems, sells machines made by Hitachi. The other, Amdahl, is 49 per cent owned by Fujitsu, which also supplies the company with sub-assemblies.

IBM contends that if it lost the EEC case, the only real winners would be Japanese companies. The Commission rebuts this claim as irrelevant, on the grounds that it is concerned not just with the dwindling number of actual competitors but with the alleged effects of IBM's actions on potential market entrants.

IBM's central argument, however, is one of principle. It objects that the Commission is seeking to force it to give its competitors proprietary design information which would enable them to copy its products as soon as they were announced.

This, it claims, would amount to unwarranted interference in its commercial freedom and deprive it of the just commercial rewards from its own innovation.

It bas rejected as unworkable an EEC offer to provide safeguards on some of its most sensitive information.

Many independent U.S. industry experts agree. Mr Ulric Weil of Wall Street investment bank Morgan Stanley, a leading IBM-watcher, describes the EEC position as "silly". "The EEC is nowhere near proving that IBM has abused its monopoly power," he says, adding that in his view IBM's defence is solidly based.

The company has said that if the Commission issued a formal decision ordering it to reveal confidential information, it would appeal immediately to the European Court, where it is confident of prevailing. It has defended almost a dozen anti-trust actions in the U.S. and bas never been defeated in court.

Many legal experts believe that IBM would stand a good chance of having a negative EEC decisioo suspended until the appeal was completed. But there are reasons for thinking that the company would prefer not to fight the case in court and would rather reach a negotiated settlement if it possibly could.

First, the appeals process would take at least two years and would bring hostilities with the Commission into open view. The company is anxious to avoid such a public confrontation, which could compromise its strenuous efforts to win acceptance as an integral part of the European computer industry. Its concern to be seen as a "good European" has been heightened by recent U.S.-EEC tensions over high-technology transfer.

IBM is particularly keen to participate in Esprit, the $1.5bn EEC-backed research and development programme intended to belp Europe's electronics industry compete with the U.S. and Japan. So far, however, it has not been invited to join, and its exclusion from the "inner circle" of European manufacturers clearly rankles.

Second, while some senior EEC officials remain uncertain that they could prove IBM guilty of monopoly abuse in the European Court, they appear more bopeful that they could get the Court to endorse a finding that IBM was a dominant supplier.

They believe that IBM would be disturbed by such an outcome because it might influeoce U.S. anti-trust thinking in the future. The U.S. Justice Department recently opened an anti-trust investigation into agreements under which Fujitsu and Hitachi pay IBM substantial royalties for software.

IBM bas already made two sets of confidential proposals for settling the EEC case. The Commission rejected the first set but is still considering the second, which it bas said contains substantial concessions.

ENERGY REVIEW

Low-cost coal producers face losses

BY GERARD McCLOSKEY IN LONDON

BEFORE THE miners' strike in Britain became submerged beneath picket line violence and rhetorical excess, the central issue facing the industry and dividing the sides was the cost of producing deep-mined coal from UK pits.

The assumption has often been made that Britain's coal industry stands alone with its financial and labour difficulties, rivalled only perhaps by other declining coal industries in France and West Germany.

A new Australian study, by Professor Don Barnett of Macquarrie University, Sydney, offers a broader and more accurate context. The study, the first for several years on the cost-price structure of an industry renowned for secrecy in such matters, demonstrates that even the world's low cost producers in South Africa, Australia, the U.S. and Canada are losing money oo their export business.

This pressure on margins is, without doubt, one of the reasons that three of the main coal producing countries, apart from the U.K., face a troubled period in labour relatioos.

In the U.S. a miners' strike is expected this autumn wben a three-year pay contract expires. Coal has alsn entered the U.S.-Japan trade wrangle, with the Americans arguing that Japan should be forced to buy more U.S. coal to offset the U.S. trade deficit, even though U.S. coal is the most expensive sold on the Japanese market.

"Perhaps the Administration has not made the point in a way the Japanese can understand. Niceties aside, unless there is action sooo by the Japanese to restore U.S. coal imports to our traditional share of the Japanese coal market, the Congress is going to turn the Pacific Ocean into the biggest floating Toyota parking lot anyone has ever seen," a tub-thumping Senator John Heinz told last month's annual convention of the National Coal Association.

Receot coking-coal contracts between the Japanese steel mills and Australian mines have split the Australian industry, setting the Government against the producers and bringing a strike threat from New South Wales miners.

In South Africa, the newly recognised black union, the National Union of Mioeworkers, and the Chamber of Mines are negotiating on pay. The union recently took the first formal steps towards a strike, and last week there were riots at a colliery owned by Anglo-American Coal, the largest producer.

Stagnant market

Moreover, in Canada, desperate efforts are being made to put on to a profitable base the Japanese-Canadian owned Quintette coking coal mine in British Columbia, which at 670m tonnes a year output is one of the world's largest, chasing steel industry customers in a stagnant market.

According to the Barnett study, only South Africa's steam coal and Queensland's established coking coal mines – for example those run by Utah and Brokeo Hill Proprietary – are operating at a profit on internationally-traded coals. It is significaot that in both these cases operations are based on open-cast mining.

The cheapest deep-mined coal, Prof Barnett says, is being produced in Utah in the U.S. at $20 a tonne. However, with rail and port charges of $29 a tonne, Utah is effectively excluded from competing on world steam coal markets, especially wben the dollar is strong.

New South Wales, with a mine cost of $21 a tonne and an fob exporting port delivers coal to export terminals at a break-even cost of $40 a tonne. In contrast, South Africa's opencast steam coal is mined from just $12 a tonne and reaches ships at Richards Bay at $27 a tonne.

Coking coal production costs range from established Queensland mines' $19 a tonne, which reaches port at a highly competitive $32 a tonne, to $44 for a tonne of coal from Quintette and Bullmoose in British Columbia, which with high charges for transport ($20 a tonne) and capital recovery ($16 a tonne) arrives at the British Columbian exporting port of Ridley Island at $80 a tonne.

However, the most striking point about Prof Barnett's figures is the gap between these costs and current prices.

On the European steam coal sport market, South African coal, 10,400 Btu/lb, 0.8 per cent sulphur, is trading at $42.50, delivered to European ports – accordiog to the regular survey carried out by Ioternational Coal Report.

Higher quality Australian steam coal (12,000 Btu/lb) is being offered at $49–$50 a tonne and Polish coal (12,500 Btu/lb) at $47 a tonne.

In the last year this mismotch between cost and price has helped to restrain the supply of coal to the glutted north European market.

U.S. steam coal, with a delivered cost to Europe of $59.40 a tonne, is no longer even listed on the spot market. However, because the major Gdansk loader is out of fashion, severely restricting Polish exports, the U.S. is strikebound and South Africa, apparently, has sold out its tonnage for the rest of the year, very little coal is being offered spot in Europe at present.

These factors explain the rise in spot prices since last September – when South African coal was $32 a tonne – but high customer stocks have mitigated this price trend.

Coal shippers are losing money too. The figures for ocean freight costs are based on shipping brokers' estimates that real costs are between 50 and 100 per ceot higher than current freight rates.

On the basis of these two sets of break-even figures, the delivered cost of Australian deep-mined steam coal into Europe is now around $65 a tonne, or more than $10 above the price being paid by Britain's Central Electricity Generating Board. Probably the only healthy coal mines, apart from opencast exporters in South Africa and Queensland, are those selling to domestic markets, particularly in the U.S.

So it is not surprising that labour trouble has arisen. A U.S. miners' stoppage looks certain this autumn. A new *three-year contract is due* and Mr Rich Trumka, the new leader of the United Mine Workers' Union may be anxious to show his mettle.

The length and violence of UMWU strikes are legendary – putting even UK disputes, until 1984 at least, in the shade.

In Australia, where 33 unions are involved in the coal chain from pit to ship, coal price cuts secured by Japanese steel mills have, for the second year running, generated threats of a dispute.

Agreements

The low-cost pits of Queensland, notably those run by BHP, led the way in these agreements producing an instant response from New South Wales miners, who are still arguing that further redundancies will be caused in their higher cost collieries. A trend towards less labour-intensive opencast mines has already allowed Australian coal production to rise over the last few years, but with a sharply-contracting workforce.

But if operators of such established mines as those in the U.S.'s Appalachian mountaios and in New South Wales are having a problem breaking even, their worries are nothing compared with those who own expensive new pits.

The first deliveries of 20m tonnes of additional coking coal production, all of it aimed at the Japanose iron and steel producers, are beginning to arrive, most of it tied to the mills in long-term contracts. But Japan is unable to satisfy the output of mines from which it has traditionally bought, let alone to take on new volume.

Although the mines are scattered through Queensland, Western Canada, China and the Soviet Union, it is the two coking-coal mines of the North-east British Columbia development, Quintette and Bullmoose, that have attracted most attention.

Quintette and Bullmoose were a key part of British Columbia's strategy to open up the North-east of the province with provincial and federal money as well as the financial backing of the mines' future customers – the Japanese steel mills. A study earlier this year by Canadian stockbrokers Midland Doherty estimated that Quintette would lose C$102m this year, C$108m next year and C$104m in 1986.

The prospects for new steam coal mines are a little better, with some prospect of rising demand.

Queensland's newest steam coal mine for the export market, Blair Athol, which opened this spring, has already produced serious contractual conflict with customers. It is contracted to sell to Japan's Electric Power Development Corporation and Japan Coal Development. The Japanese refused to take either the volume or pay the agreed price, so coal is being shipped to Japan at a stop-gap price pending further negotiations.

Given this international background, it is hardly surprising that the geologically much less favoured UK coalfields are having problems with their finances.

Gerard McCloskey is editor of the FT International Coal Report

WORLD COAL – COST OF PRODUCTION AND DELIVERY ($/TONNE)

Type of Mine	South Africa opencast	Appalachian opencast, non-union	Appalachian deep, non-union	Appalachian mountain-top, new dragline union	Appalachian deep, union	Utah deep	NSW old deep	NSW opencast	Appalachian old deep, union	Alberta, South British Columbia old, opencast	Alberta, South British Columbia new opencast	Northeast British Columbia opencast	Queensland, opencast, old	Queensland, opencast, new
Mine operating cost	12	21	26	27	31	20	21	19	38	31	32	44	19	21
Rail and port cost	12	15	18	18	18	29	16	13	18	18	20	20	10	15
Capital recovery	3	2	2	8	6	7	3	8	3	3	10	16	3	13
Breakeven cost fob port	27	38	46	53	55	56	40	40	59	52	62	80	32	49
Freight to Rotterdam	12	10.5	10.5	10.5	10.5		25	25	10.5	22	22	22	25	25
Delivery to Rotterdam	39	48.5	58.5	63.5	63.5	65.5	65	65	69.5	74	84	102	57	74
Transhipment to Thames power stations	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8			not applicable			
Breakeven cost delivered Thames	48.8	58.3	66.2	73.3	73.3	75.3	74.8	74.8			not applicable			

650,000 dwt vessels for U.S. to Rotterdam, 12,000 dwt for other routes

Source: Don Barnett, Macquarie University and FT International Coal Report

UK NEWS

People Express seeks second route to U.S.

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PEOPLE EXPRESS, the U.S. airline which offers cheap flights between Gatwick Airport, Loodon, and Newark, New Jersey, is planoing to start a cheap service between Stansted in south-east Eogland and Newark from November 1.

Fares for the service have yet to be settled but will probably be less than £100 single, compared with £113 for the Gatwick-Newark route. Frequency of flights has also to be decided, but the airline is seeking a "no limitation" clause on that. A Boeing 747 will be used.

Applicatioo for an operating permit has been made to the UK Civil Aviation Authority. The airline does not expect difficulties in obtaining the permit, which it is seeking under the Anglo-U.S. Bermuda Two air services agreement.

People Express is also seeking improvements to its Gatwick-Newark licence, permitting daily flights oext winter instead of the five flights a week at present permitted for the November-March period. It wants in addition "extra section" flights when justified by demand.

Mr Harold J. Pareti, a managing officer of the airline, said yesterday that it had chosen London as its base for expansion of transatlantic operations because of the large volume of traffic.

He said the transatlantic load factors of People Express (the percentage of seats filled) had been well over 90 per cent every mooth this year and had reached 95–97 per cent for the early summer. It demonstrated a clear demand for the airline's type of cheap-fare operation.

People Express, he said, believed that by using Stansted as well as Gatwick it could tap an additional area north of London and into the Midlands The airport lies east of London.

It also indicated the airline's belief that the future of Stansted airport was bright. More and more airlines were showing an interest in using the airport, especially for short-haul flights to and from the European Contineot, which could connect with the People Express operation.

Dan-Air cuts Amsterdam fare

BY OUR AEROSPACE CORRESPONDENT

DAN-AIR, the independent airline, is to introduce new cheap fares oo the routes between Amsterdam and Bristol, Cardiff, Teesside and Newcastle, using the British Aerospace BAe 146 four-engined jet regional airliner.

The airline's move follows the recent introduction of an "opeo skies" policy between the UK and the Netherlands, allowing UK and Dutch airlines freedom to fly between the two countries at cheap rates.

Dan-Air is offering excursion return rates of £69 from Bristol and Cardiff to Amsterdam, and £79 from Newcastle and Teesside, compared with the existing lowest excursion return rates of £102.

● British Caledonian Airways (BCal) is planning a twice-daily service betweeo Gatwick and Milan, from April, next year. The Civil Aviation Authority has granted BCal a UK licence for the route, but a reciprocal operating permit from the Italian aviation authorities is still required.

Accountants repeat win in management game

BY MICHAEL DIXON

THREE British accountants yesterday won the UK managemeot championship for the second successive year.

In previous years all three bave won the European management title when playing for separate teams.

The victory gave Mr Geoffrey Brown of Shell UK his third UK championship and Mr John Chappell and Mr Paul Webb their fourth.

The team won the £2,000 first prize after making a paper profit of £14.1m in the final of the national contest, which is sponsored annually by the Financial Times, ICL and the Institute of Chartered Accountants in England and Wales. The Confederation of British Industry and Institute of Directors are associate sponsors.

A £13.6m national profit gained the £1,000 second prize for four men from M & G, led by Christopher Eve, who came third in the computer-based contest last year.

Five teachers, led by Mr Rod Porter, from two comprehensive schools at Waltham Forest, Essex, woo the £750 third prize. Mr Alan Rousell, UK managing director of ICL, made what he called "an instant management decision" and gave their schools an ICL personal computer worth over £2,000.

The management team of the 160-year-old W. W. Johnson and Son agricultural company of Lincolnshire, under managing director Mr Richard Johnson, took the £500 fourth prize.

Cable licences extended

BY RAYMOND SNODDY

CABLE TELEVISION operators are to have the length of their initial licences extended from 12 to 15 years. Mr Leoo Brittan, the Home Secretary, announced the concession yesterday.

The extension was hinted at last month by Mr Douglas Hurd, the Home Office Minister responsible for broadcasting, during the committee stage of the Cable and Broadcasting Bill. The change follows intensive lobbying by the cable industry after proposals in this year's budget to phase out capital allowances.

The cable industry believed that this decision could delay profitability of a cable operator by between two and three years.

A concession had been made "in recognition of the fact that it will take some years for cable companies to recoup the heavy initial investment in establishing their services," the Home Office said yesterday. First holders of cable licences would now have a further three years in which profits could be made. The subsequent licence period would remain at eight years.

Mr Anthony Whetstone, secretary of the Cable Association of Great Britain, yesterday welcomed the concession and said it removed some of the uncertainty surrounding cable. He believed that the Cable Bill now emerging was one that the cable industry could work with.

UK NEWS

Enterprise Oil plans response to RTZ move

BY ALEXANDER NICOLL AND IAN HARGREAVES

SENIOR executives of Enterprise Oil yesterday planned their response to Rio Tinto-Zinc's (RTZ) bid to increase to 29.9 per cent its stake in the newly privatised oil company.

They did so against a background of City of London speculation that further surprises may be in store – which was partly confirmed yesterday when Norwich Union, the insurance company, announced it had acquired 21.2m shares in Enterprise, which represents 10 per cent of the company's equity.

To help to prepare a swift response to the RTZ bid, Enterprise appointed the merchant bank J. Henry Schroder Wagg as its financial adviser.

Mr Graham Hearne, Enterprise's chief executive, said the company would respond to the RTZ bid by the end of this week. The offer closes on Tuesday.

Mr Hearne said he had not talked to RTZ about its bid. He did not, however, rule out the possibility of a dialogue when Sir Alistair Frame, RTZ's chief executive, returns from Australia on Thursday.

Mr John Walmsley, Enterprise's finance director, said the appointment of Schroder did not indicate any disagreement with Kleinwort Benson, the merchant bank which handled last week's ill-starred £392m sale of Enterprise shares to the public.

Enterprise, which did not have its own financial adviser during the flotation, said it could not use Kleinwort because it was an adviser to the Government on Enterprise. The Government holds a 'golden share' in the company which it could, eventually, use to block a takeover.

The Government was yesterday stressing that it can play only a low-key role in the unfolding Enterprise drama. Faced with demands in the House of Commons from Mr Neil *Kinnock, the Labour leader*, for the privatisation programme to be halted, Mrs Margaret Thatcher, the Prime Minister, replied:

"Enterprise is now an independent British oil company. RTZ have not gained control. The Government clearly stated its inteotion in the prospectus that the company should be free from outside control in the early years – all that has been carried out successfully."

In the City, however, the air was thick with talk of possible deals between RTZ and Enterprise.

Enterprise itself took heart from the Norwich Union announcement, which it sees as the beginning of an institutional vote of confidence.

Mr Paul Lovett, an investment manager at the insurance group, said it had bought the shares as a long-term investment. He discounted suggestions that the company might be interested in Enterprise to fit with its own small portfolio of North Sea interests, which include a stake in the Forties field and some undeveloped exploration acreage.

The Enterprise shares will be held, he said, in Norwich's main life insurance fund, which also holds large stakes in several major oil companies, including BP. Norwich Unioo Hydrocarbons, the North Sea arm, is a separate venture.

Mrs Thatcher sails on, Page 15

Tougher defences in the fight against financial fraud

BY CHARLES BATCHELOR

"THE SAME names crop up time and time again, but we never get a prosecution," a fraud squad officer said. "I don't see how we can track them down. We get to know about them via Interpol, but it is difficult to prove even if you know about the planning. All we have been able to do is spoil their plans."

Fraud squad officers are reluctant to admit in public the restraints on their efforts to bring *fraudsters to justice for fear of en*couraging the crime. Privately they acknowledge that many complex cases – particularly those which cross national boundaries – will never lead to a successful prosecution.

Often all the police can do is spoil the fraudsters' chances of success by warning as many of his potential victims as they can reach.

"We warn people and then close our books," said one officer. "We have frequent contact with the banks and can tell in 48 hours of the activities of any fraudster. A problem arises when bankers show people the door but don't warn the next bank."

Yesterday's announcement that a Fraud Investigation Group is to be set up to deal with serious financial fraud cases comes in response to a series of urgent appeals from the financial community and the regulatory bodies for more effective methods to combart fraud.

The team of lawyers and accountants to be attached to the department of the Director of Public Prosecutions (DPP) plans to co-ordinate oo a permanent basis the previously ad hoc efforts of the Department of Trade and Industry (DTI) inspectors, the DPP office and the fraud squads to investigate particular cases. Betweeo 25 and 30 extra staff will be taken on.

Some idea of the size of the prob*lem can be gained from statistics* released last month by the City of London police company fraud department. This showed that 103 cases were investigated last year, in the City alone, involving suspected fraud worth £115m.

Sixty-five arrests were made and 21 trials took place at Crown Courts in London and elsewhere. This takes no account of fraud being investigated by other police forces or the large amounts of undetected or unprosecutable fraud.

Advance fee fraud, one of the major areas dealt with by the fraud squad, frequently involves what one fraud officer calls "telephone number amounts" running into billions of dollars.

These do not appear in the official statistics. Fraudsters convince the governments of developing countries and business meo that large loans can be arranged in return for an advance fee representing a small percentage of the promised loan. Once the advance fee has been paid the fraudster disappears and the loan evaporates.

Fraud comes in an increasing number of guises. One unit at the Metropolitan Police Fraud Squad looks at offshore banking fraud, travel agent frand, general insurance fraud and advance fee offences.

Home Office crime figures show that the police recorded 123,000 cases of fraud or forgery in 1982 – *many of them cheque or credit card* fraud. No detailed statistics are kept oo the extent of serious fraud or on the conviction rate wben cases are brought to court.

The obstacles to a successful prosecutioo are many. They include,

● Restrictions on police powers to seize documents and questioo people about their contents. The Department of Trade and Industry can send in its inspectors at an earlier stage, but this can involve duplication of effort.

● Pressure of work on the Fraud Squads, the DTI and the Director of Public Prosecutions Office. The Metropolitan and City of Londoo Police Fraud Squads oumber 150 officers. They can call on the DTI and DPP for specialist assistance but the officers themselves are oot trained accountants and frequeotly spend relatively short spells of duty with the fraud squad before moving on.

Low bids for extra public spending

BY ROBIN PAULEY

EXTRA public spending bids of less than £3bn for 1985–86 will be considered by the Cabinet tomorrow, one of the lowest and least controversial "shopping lists" for more cash since the Government took office in 1979.

The Cabinet will give only cursory attention to the bids before authorising Mr Peter Rees, Treasury Chief Secretary, to hold a series of bilateral negotiations with spending ministers to cut some of the bids and accommodate others while sticking firmly to the 1984–85 planning total of £131.7bn. This is the latest White Paper (policy document) estimate of public expenditure at £132.08bn adjusted for national insurance changes made in the budget last March.

Mr Rees will start work immediately, although most of the argument will come after the summer holidays. He will report back to the Cabinet in the autumn.

There is a total of £2bn in bids from departments, other than the Environmeot Department's claim for an increase in the 1985–86 target total for local authorities. The latter claim is close to being settled near the £800m to £900m mark and will form the basis of the 1985–86 rate support grant settlement – the money allocated from central government towards local authority expenditure.

Mr Norman Fowler's Department of Health and Social Security accounts for half of the £2bn. Most of his claim is for social security. This claim has to be met more or less in full as it is partly the result of a higher estimate of the number of beneficiaries, a larger take-up of *benefits and improvements* to social security payments.

The smaller £200m to £300m part of Mr Fowler's claim is for additional resources for the National Health Service. He is keen to acquire this money but it may prove to be a tough battle as he has already had an extra £150m added to the original 1985–86 total for the bealth service.

Mr Fowler has been supporting Mr Rees in arguing for a lower extra amount for local government in the bope that less for local authorities might mean more for the health service.

The main surprise of the other bids is that the Defence Department's is described as "negligible", which has produced glee at the department with claims that Mr Michael Heseltine, the Defence Secretary, has now got spending firmly in his grip and relief at the Treasury that one of its largest annual problems has not surfaced this year.

Most of the other spending department bids – Scotland, Wales, education, agriculture, Home Office – are in the modest £50m to £100m bracket. Treasury optimism about settling without "blood" has increased as it has become clear that a lot of the extra bidding is removable "bluff and padding."

As there is a contingency reserve of £3.75bn for 1985–86, Mr Rees appears at first sight to have an easy Chief Secretary's summer in store, but the Treasury is adamant that a substantial part of this contingency must be preserved for true emergencies during the 1985–86 financial year. The local authority problem may bave to be solved through the contingency and there may be a 1985–86 knock-on cost from the miners' strike, so acceptance of new bids may have to be paid for by cuts elsewhere.

Housing and the urban programme are again top of the list for further cuts. In addition, it is being emphasised in Whitehall that if, for example, the arbitrators offer the teachers more than the 4.5 per cent pay rise oow oo offer, local authorities will have to fund the award through cuts somewhere else. The contingency fund for 1985–86 is not available to help.

Howe condemns abuse of diplomatic privilege

THE GOVERNMENT may name the foreign missions in London whose diplomats are alleged to have flouted Britain's domestic laws, Sir Geoffrey Howe, the Foreign Secretary, said in the House of Commons last night.

In a written answer, Sir Geoffrey said: "I am giving further thought to the question of revealing the names of missions whose members are alleged to have committed offences."

His statement comes a few days after the all-party Commons select committee on foreign affairs was told that more than 540 offences, including rape and theft, had been committed in the past 10 years by diplomats based in Britain. Criminal charges had not been preferred against them because of diplomatic privilege.

Sir Geoffrey said he shared the concern of MPs at the number of offences as well as the sense of indignation at the abuse of diplomatic immunity.

The Foreign Secretary said he was not persuaded that it was right to name the individuals concerned, "since this would not be consistent with the long-established principle that a person is presumed innocent until proved guilty."

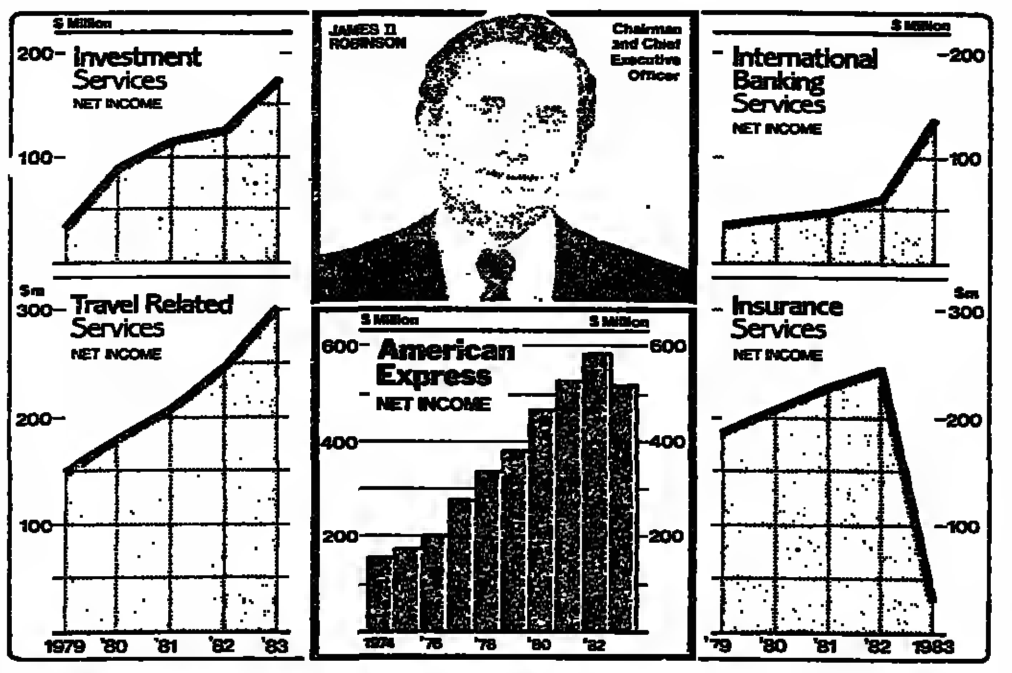
● VOTERS in Britain are more pessimistic about the economic outlook and dissatisfaction with the Thatcher Government's performance is increasing.

This is shown by the latest Market and Opinion Research International (Mori) survey in yesterday's Standard newspaper. The survey was conducted betweeo June 21 and 25, after the results of the European elections were known.

● BERYL B, a £750m North Sea development platform designed almost to double output from the Beryl field, has started to deliver its first oil, the field's operator, Mobil, said.

THE MANAGEMENT

EDITED BY CHRISTOPHER LORENZ



Amex: a strategy to test its management

BY PAUL TAYLOR

JUST WHEN it seemed that the American Express dream of building a highly profitable worldwide financial services empire from the bottom up was within reach, the green-card giant appears to have stumbled.

Last year Amexco's earnings fell for the first time in 36 years—mainly because its Fireman's Fund insurance operations hit serious trouble. First quarter profits were also sharply lower and Amexco's share price has recently been bumping along near its 12-month lows.

For most major corporations this would probably add up to a real body blow, sapping confidence and draining senior management strength. But not so, it seems, for American Express.

In May the Amexco management, in true swashbuckling style, soapped up Lehman Brothers, a blue-chip Wall Street investment banking partnership for $360m. The new combined Shearson Lehman/American Express now ranks as one of the largest and potentially most profitable full service securities firms on Wall Street.

That move is seen, both internally and externally, as all but completing a massive buying spree undertaken in the race to build a worldwide financial services empire. In the last 18 months alone Amexco has also added Edmond Safra's prestigious Geneva-based Trade Development Bank (TDB) for $520m and Investors Diversified Services (IDS) for $773m.

Together with the Travel Related Services (TRS) group, Amexco's "crown jewels" which last year accounted for 58 per cent of the company's $515m in net profits, the company can now boast an almost unrivalled "stable" of specialist financial service companies.

"We have helped to create an industry," says Jim Robinson, Amexco's 49-year-old chairman, "so we have become something of a lightning-rod and the competitor to beat."

The rationale behind Amexco's buying spree has not been just to grow big fast. Nor has it been to build a "one-stop" financial supermarket. Amexco has bought into or built up those segments of the market it believes it can serve with cost-effective value-added services.

Amexco's rapid expansion from the "plastic card company" it was just a few years ago into a fully fledged financial services company has indeed stacked the group up against some formidable competitors, including Merrill Lynch, Citicorp, and Sears Roebuck.

It has also raised concern on Wall Street and elsewhere about whether Amexco can effectively control its far-flung and diverse empire. "There is a growing concern that management is being stretched too thinly," says Michael Fringuelli, a senior analyst with Salomon Brothers, the Wall Street securities firm.

Amexco is particularly sensitive to such criticism. Robinson describes such views as "cosmetic" and says he doesn't accept them. "For sure we are challenged and stretched but in many ways we like it that way," he says.

Peter Cohen, the 37-year-old head of Shearson, says he believes it is unlikely that Shearson, or Amexco, will take on any further major acquisitions, at least for the moment. "We have a lot of work to do and I don't see other parts of the company doing differently right now. I think we have our hands full." Nevertheless, he also adds that he would not consider the criticism valid until now. "I think if we did something from now on, it would be."

Apart from the acquisitions, the other key event which set alarm bells ringing on Wall Street was the way the Fireman's Fund disaster appears to have crept up on senior management. The problems at the San Francisco-based insurers, which Robinson describes as a "catastrophe," prompted a $230m transfer to its reserves in the fourth quarter and has subsequently consumed much management time and effort.

Robinson, who insists on taking ultimate responsibility for the affair, blames the losses on the sorry state — industry wide—of the property and casualty business, and on local management miscalculations and errors. Basically, senior Amexco executives now say that Fireman's Fund made a false bet on a turn in the insurance cycle because of its frustration over its drop from fifth to tenth in insurance industry ranking.

Nevertheless, Robinson insists that Amexco should be judged by the speed with which it reacted once the scale of the problem was recognised in head office.

Indeed, Amexco did respond quickly—and ahead of the rest of the industry. Fireman's chairman, Edwin Cutler, and James Meanaghan, the President, were replaced by Sandy Weill, Amexco's street-wise president and Bill McCormick from TRS.

The Weill and McCormick-led "firefighting" team moved quickly. They started out with a nine-city fact-finding tour of Fireman's Fund's offices. Over 1,100 jobs were subsequently cut, the company's geographic and product range is being refocused and a major upgrading of Fireman's Fund computer systems is under way, led by Bob Kelly, formerly in charge of TRS's Brighton, England card-processing unit.

"Our goal is to have, within the next 18 months, the best systems and operations within the industry," says Weill. As a result Fireman's managed to announce a meagre $10m profit for the first quarter although senior Amexco executives still believe it will be a long and hard slog to get Fireman's earnings back up to their previous lofty levels (1982 earnings topped $225m). Despite this, Robinson says the sale of the insurance business "is not an issue."

The Amexco chairman seems less sure about the company's other big loss-maker, its cable TV joint venture with Warner Communications which last year lost a cool $99m.

Robinson, who once described the purchase of the 50 per cent stake in the cable group as "a tremendous acquisition" now admits "If I had to do it over again I wouldn't because with what we know now about the industry we wouldn't want to be a player." His views today echo those of analysts who for years wondered what Amexco was doing with a cable TV operation anyway.

Nevertheless, Robinson maintains that Drew Lewis, the former U.S. Transport Secretary, brought in last year as head of the joint venture to stem the flood of red ink has "got the company turned around." Lewis has slashed jobs to cut overheads, begun renegotiating loss-making big-city cable TV franchises and begun the sale of the once prestigious Pittsburgh franchise.

The picture is much rosier in Amexco's other core business segments, and particularly at the TRS flagship. Under Louis Gerstner's chairmanship, TRS has halted and, he claims, reversed the erosion of travellers' cheques apparent in the late 1970s. "We have beaten the competition," declares a confident Gerstner, who has all but rebuilt the TRS company by stressing quality, innovation and customer service.

As a result, the travellers' cheque cash float — the average dollar value of cheques outstanding — has been brought up to $2.44bn while aggressive marketing of the green, gold, and now platinum travel and entertainment cards has increased the number in circulation from 10.5m in 1979 to 17.3m at the end of last year.

Amexco's international bank, which was up for sale just three years ago, has also blossomed. Bolstered by the merger with TDB, the bank reported a spanking 126 per cent increase in net income to $136m last year, a 17.67 per cent return on equity which grew to 19.07 per cent in the first quarter.

TDB, with $4.5bn in deposits and fiduciary accounts, has provided American Express International Banking Corporation with a low cost source of funds. While AEIBC, by stressing short-term trade-related loans and a generally conservative approach to balance-sheet expansion, has managed, so far at least, to avoid excessive entanglement in the less developed countries debt crisis and the need for soaring loan loss provisions.

Bob Smith, Amexco's former treasurer, now president of AEIBC, has aggresively cut costs and focused the bank's business back on trade finance and, with the addition of TDB and Safra as chairman, on serving wealthy individual clients.

He strongly rejects suggestions that the merger with TDB has proved difficult. "We have the ability to go slower rather than faster because we are a very profitable bank," he says. "We are in no hurry."

Cohen faces a similar potential challenge as head of Shearson. So far both Shearson and Lehman executives say the merger between the two firms is going "better than expected" while acknowledging that it is early days yet.

What the Lehman acquisition means for Shearson is simple. In one fell swoop, Shearson, which already ranked as one of Wall Street's most profitable firms with a pre-tax profit margin last year of 17.9 per cent compared with Merrill's 6.9 per cent, has increased its capital to $1.7bn and achieved what otherwise might have taken years.

In Minneapolis, where IDS has its headquarters, Harvey Golub faces a different challenge, specifically to refocus and grow the former Allegheny subsidiary which sells life insurance, mutual funds and annuities, and offers a financial planning service through a 4,500-strong salesforce mostly to middle income families in the midwest and elsewhere.

What is clear throughout the Amexco empire is that the units are viewed by the parent company both as independent profit centres serving particular market niches—but also as part of a whole.

It is also clear from all this that Amexco may well have reached a decisive turning point in its development—shifting primarily from growth by acquistion to consolidation and internal growth—and this is reflected throughout the empire by the comments of senior executives.

That Amexco may have almost completed its financial empire, at least for the time being, is reflected in Robinson's admission that "the only thing we don't have that we would like is a federally chartered savings and loan association."

So has the Amexco buying spree really come to an end? "I would think so," says Robinson, but adds with a glint in his eye, "until the next opportunity comes along."

Ahead of any further major acquisition what Wall Street, and Amexco's competitors are still waiting to see, is whether Robinson can make all the legs walk in the same direction—or even perhaps start dancing.

MICHELIN has launched its 1984 red guide to the main cities of Europe. The guide is the perfect one for the frequent traveller in Europe since it comes with maps of the 54 cities it covers in 15 countries and includes a wide range not only of hotels but also restaurants. £5.50 from bookshops.

●

HERTZ Rent a Car has introduced mobile telephones into its UK Prestige fleet. There is no extra charge, except for the calls. Hertz has also opened a private lounge for No 1 Club members at Rome's Fiumicino Airport. It already has such a lounge at Roissy in Paris.

●

CATHAY PACIFIC has started an advance seat reservation service. Passengers can now choose a specific seat at the time of booking in First Class, Marco Polo Class and, if you are the sort of business traveller who carries babes in arms, Economy Class where a cradle is required.

●

MIDLAND BANK, which already offers its customers the convenience of standard Eurocheques for European travel, says its Eurocheque card will now work in over 500 cash dispensing machines in Spain. Cards issued before May 7 will not work. Five working days are needed to get a new card and a PIN (Personal Identification Number).

●

THE HIGHLY popular U.S. frequent flyer programmes, which offer considerable benefits for loyalty to a specific airline are normally restricted to passengers who can offer a U.S. address. Many overseas users simply give the address of friends or business contacts (this doesn't break the law). The Frequent Business Travellers Club helps travellers to choose airline schemes and forwards oil mall to non-U.S. residents. Membership details FBTC, 2-10 Lyndhurst Terrace, Central, Hong Kong.

●

AS PART of its massive refurbishment the London Hilton has opened an Executive section on its top four floors. Guests in this area are checked in separately and offered a range of extra goodies, including fresh fruit, a special executive lounge and and anti-jet lag herbal bath oils. Rates run from £120 to £470 a night (from room to luxury suits).

●

EUROPCAR has launched an Executive Service aimed at companies which are cutting back on their own chauffeur-driven fleet of luxury cars. Special transfer rates will be offered from Getwick and Heathrow to London and other centres and business entertainment rates include chauffeur-drive services for lunch or dinner guests from £10 an hour. A wide executive car replacement service has been introduced offering Jaguar XJ6, Mercedes, BMW and Volvo cars.

Arthur Sandles

Management abstracts

Pensions funding v. good accounting practice. S. Carne in Accountancy (UK), March '84

Argues that, as the Accounting Standards Committee develops its views on accounting for pension costs, the main difficulty is to define the correct periodical measure; describes the three funding plans used by actuaries (i.e., aggregate, discontinuance target, projected unit credit), and notes that they produce different contribution rates per wage cost; suggests that the ASC should adopt projected unit credit for accounting purposes, because the other two produce wide disparities and are not consistent with the accruals concept.

Automated consolidation accounting. T. Taylor in Accountancy (UK), March '84.

Discusses the implementation and use of a minicomputer with linked microcomputers to improve the quality and timeliness of accounting reports submitted by Plessey's world-wide reporting entities; describes the hardware/software configuration used and the various types of information supplied. Notes that the increased speed of information gathering allowed the company to bring its AGM forward by one month, causing takeover speculation and a fall in capitalisation value.

Risk management. C. W. Powell in Foresight (UK), Mar 84

Traces the development of corporate risk management and its rise to respectability; explores the functions of the risk manager and the role of the captive insurance company

These abstracts are condensed from abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £3 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

TECHNOLOGY

EDITED BY ALAN CANE

DENTAL ADHESIVES PROMISE TO REVOLUTIONISE THE FILLING BUSINESS

Super gums sought for teeth

BY IAN HAMILTON-FAZEY

THE Wolfson Foundation is giving £142,000 to help Liverpool University and ICI beat Japanese and American competition in developing a new range of dental adhesives.

The prize for winning the race is the lion's share of an inestimable worldwide market, simply by being first into it. The new adhesives are likely to revolutionise treatment and give ICI an important boost in the U.S.-dominated dental materials market.

Conventional dental treatment relies on mechanical forces to keep fillings in place. The dentist excavates decayed matter and then makes the cavity inside the tooth bigger than the hole through which he works so that, once set, the filling will not fall out. This usually means that some healthy dentine has to be sacrificed to make the cavity big enough.

No matter how well-filled the cavity, there may still be a microscopic gap—measuring as little as a few millionths of a meter—between the filling and the dentine. As most of us know from uncomfortable personal experience, this enables more bacteria to get in over time, necessitating re-excavation and re-filling.

Why pharmaceutical companies are trying to find genuine adhesives for teeth is that they would form chemical bonds, so that fillings would not require mechanical means of retention. This would mean that cavities would not have to be enlarged to exceed the diameter of exit holes. There would be no gaps for bacteria to get into.

However, even in an era of super-glues such dental adhesives are difficult to develop. Dr David Williams, an expert on the medical use of materials and who is a senior lecturer at Liverpool University dental school, says that there are three main problems.

The first is hydrolysis: glues do not tolerate wet environments very well and though most of us may be dry-mouthed when we are at the dentist's, we usually don't stay that way for long.

The second problem comes from the mechanical forces to which we subject our teeth when eating or, worse, grinding them in our sleep. These amount to a nut-crushing 350 megaNewtons per sq metre.

After that comes coping with wide temperature gradients — ranging roughly from ice cream

straight from the freezer to tea at near boiling point.

These, of course, are the problems that have to be solved once the adhesive has been developed far enough to be used in the mouth at all. Before then, it has to satisfy rigorous tests of non-toxicity and it must behave quite untypically for a polymer by not generating much heat as it sets.

The Wolfson money is to be used to recruit a polymer chemist to Dr Williams's team. The other members are a dentist, Mr John Cunningham, who teaches at the dental school, and Mr Joe Jaworzyn, an adhesives specialist from ICI, whom the company is seconding to the project for the next four years.

The other major technical difficulty to be overcome is that the new adhesives will have to work simultaneously with both dentine and enamel, which are chemically different.

Both are mixtures of collagen and a mineral, one of the calcium phosphates, but 95 per cent of tooth enamel is made up of the mineral, as opposed to 65 per cent in the case of dentine.

The new adhesives will also have to cope with variability between different people's teeth and between teeth in the same mouth. On top of that, dental practices vary between dentists. These factors mean that the new adhesives will have to function over a broad range of conditions, not require too much surgical precision and be widely useable and abuseable.

And gums the new adhesives cannot help . . .

Dr Williams says: "We are looking at very specifically functional monomers that are going to polymerise on the surface of the tooth. I can't say any more without giving clues to the opposition. There are a number of companies in the U.S. working in the field and a team at the University of Tokyo. If this were a 400-metre race, you could say we are all in the back straight and running hard."

Where the new adhesives are likely to make their most important long-term impact is in children's dental health. Generally, anyone who can reach the age of about 20 without cavities will remain substantially free of them for life and keep their teeth.

If the adhesives are developed and do their job, dentists will be able to "skim" children's teeth with them, filling in crevices where bacteria would gather to start the decay process. Good adhesives would also enable orthodontic wires to be glued into place and work more effectively in straightening teeth.

In addition, they would also enable the more effective repair or reconstruction of damaged teeth.

Testing is taking place on extracted teeth, though Dr Williams says that promising results here must be treated with caution. In this field, proof of the product is quite literally in the eating: clinical trials would include extensive follow-up testing of how the adhesives have worked in practice over months of crunching and chewing.

ICI is already making inroads into the dental materials market with Occlusin, a tooth-coloured filling material which is strong enough to withstand the forces generated between your back teeth when chewing.

Normally, tooth-coloured composites are not strong enough for this and can only be used at the front of the mouth. Amalgam has to be used at the back. Occlusin began seven years ago and the product is in its third year of worldwide clinical trials.

Most dental materials are made by American companies, some of which took over rival British and other European competitors during the past 20 years. The latest adhesives research would appear to be an attempt to attack markets by technological leapfrogging rather than through a "me too" product strategy.

ELECTRONIC OFFICE

Data General powers up its work stations

BY GEOFFREY CHARLISH

INCLUDED IN a welter of enhanced product announcements from Data General are more powerful versions of the company's computer family, expanded capabilities for the "comprehensive electronic office" (CEO) and a new thrust into the CAD/CAM terminal market.

The Eclipse MV/4000SC for example, is a 32 bit minicomputer for up to eight users in commercial, office automation and technical applications. The company is claiming the industry's lowest cost per user in this area, at a figure of £7,000 per workstation.

The MV/4000SC can have up to four megabytes of main memory and a total of 77MB in 5.25 inch winchester disc drives. In power terms, it is positioned between the Desktop Generation microcomputers and the original Eclipse MV/4000.

In the area of integrated software, a new product called CEO Decision Base consists of four components: a personal database, a spreadsheet, a report writer and a charting tool. The database gives the user the ability to define, create and manipulate data files; data can be moved easily from existing DC data management packages into CEO files and spreadsheets.

Users can now access a specific application directly without exiting from the CEO package. They can manipulate and edit spreadsheets into documents and reports, says the company, without having to go through a multitude of time-consuming commands.

These compact systems with an "under-desk" mini incorporate Ethernet IEEE 802 local area network facilities and at the same time DG has introduced a protocol called TCP/IP that allows multi-vendor networking.

In addition, through an agreement with Cullinet Corporation, these decision support facilities can now also be linked with IBM databases.

For the engineer, Data General is introducing DS4000 and DS4200. These are high performance, high resolution graphics systems with built-in local area networking (Ethernet IEEE 802.3). They are the first to incorporate new display chips from Texas Instruments that are said to "dramatically increase" screen response in interactive graphics applications such as computer-aided design and engineering.

The DS/4000 produces monochrome 1024 x 1024 pixel images and the DS/4200 offers the same resolution, in colour.

These systems can now run on the Berkeley Unix operating system as well as the company's AOS/VS (advanced operating system / virtual storage). Resource Dynamics is one of DG's first independent software vendors to offer application software operating under DG Unix—a facilities planning package.

The company has also announced a 592 megabyte disc store which it has designed and is manufacturing itself. Three can be packaged in a metre-high cabinet to give 1.7 gigabytes.

MACHINING

Dual screen programmer

HURCO EUROPE of High Wycombe has developed a powerful computer numerical controller (CNC) called Ultimax which it is integrating into a new generation of machining centres and electrical discharge machining tools.

The device allows the machinist to program the complex parts in "conversational" mode using a dual screen display. While alpha numerics are entered on one screen, two and three dimensional views are simultaneously created on the other. The operator is therefore immediately aware of any errors in his program and can edit them out straight away.

Editing is simple: a trackerball graphics cursor is roughly positioned over an element requiring change which is then "zoomed" to a larger size on the screen. The cursor is fine-positioned, a search is initiated and the relevant data block soon appears on the text screen. As text corrections are made, the alterations appear immediately on the graphics screen.

INFORMATION

Desk top dish attracts dealers

ONLY A few months after its launch, Trendsetter, the latest financial data retrieval system from ADP Comtrend, seems to be earning its keep.

It has attracted 300 new clients in the U.S., 90 per cent of whom are receiving their information via satellite links. In the UK, where the satellite option will not be available from British Telecom International until early 1986, eight new clients have been signed up in the three weeks since it was announced.

Trendsetter exploits the power of two leading edge technologies—the professional personal computer and high-speed data transmission.

The personal computer—executive workstation, you could call it—is built by Convergent Technologies and is reckoned to be one of the best of its kind on the market—it is offered by a whole string of large computer companies as their own personal computer, and is exciting the interest of the major banks as a treasurers' workstation.

High-speed data transmission is catered for in the U.S. by satellite—to a ground station right on the customers' desk.

It sounds unbelievably futuristic but ADP has customers there with dish antennae mounted on their desk beside their personal computers. As antennae go, they are quite small—only 18 ins or so in diameter, but a substantial addition to the usual clutter on the dealers' desk top.

In the UK, it would be possible to provide the same service from an existing communications satellite but in practice Mr Ron Blonder, vice-president of ADP Comtrend, is waiting for the BTI satellite to be put into orbit.

Comtrend claims to be the first company to provide real-time price data in high resolution graphics for intraday and historical price trend analysis for commodity markets.

Trendsetter takes the whole concept a stage further by providing up to 100 separate "pages" of price and trading data which the user can program to his or her own specifications.

There are tabular displays, graphich displays and the information can be stored in the computer for retrieval and analysis later.

Electronics

Hitachi's big bubble

HITACHI has unveiled a four megabit bubble memory which has applications in telecommunications, personal computers, office equipment and automated machinery.

Samples of the bubble memory will be available later this year. Another Japanese company, Fujitsu, is also working on bubbles memories of this size but Nippon Telegraph and Telephone (NTT) stopped research last March.

Tribology

War on wear

THE INSTITUTION of Mechanical Engineers has declared war on wear. It is holding a conference with that title from September 17 which deals with the problems of the wear on machinery working in mineral extraction.

In the UK alone, £800m is spent each year on maintenance of extraction and handling machinery. The Institute says that better maintenance practice could save about 10 per cent of this sum annually.

The conference will be held at Nottingham University and last for three days. More details from the institution in London on 01-222 7899.

Memories

Winchesters

OUR ARTICLE on removable Winchester hard disk drives (June 20, 1984) quoted prices for devices from Intec and Vermont Research which did not relate to equivalent quantities. The one-off user price for a Vermont 8520 is approximately £3,000. The smaller Intec 505 costs £2,700. In quantity, if the Vermont cost £2,600, the Intec would cost £1,100. Vermont sales is on 0372 376221; Intec on 01-761 5999.

THE ARTS

Television/Christopher Dunkley

Face to face with the news

For those of us who miss two out of three items on the news as we gaze concupiscently at Pam Armstrong's lips (or Jan Leeming's hair, or Olivia O'Leary's bafflingly alluring resemblance to both Sue Lawley and Princess Anne — or, for all I know, John Humphrys' firm jaw) there is considerable irony in the fact that when Richard Baker introduced Britain's first television news bulletin on July 5, 1954 nobody saw him do it because news readers were not allowed in vision. It was feared that a change in facial expression might colour the content of the news.

Tomorrow is the 30th anniversary of that first bulletin and BBC2's programme to mark the event, *BBC TV News: The First 30 Years*, proves that news in the days of the "No faces" rule was pretty appalling. The screen was filled with endless captions, wooden pointers scratching across maps, and still photographs which were described in ludicrously minute detail by the unseen news reader.

Though *The First 30 Years* runs for only 40 minutes touching briefly on a huge number of topics — sometimes desperately briefly when the subject is one which has inspired entire books (the degree of objectivity in news for instance, or the fiasco contrived by the Ministry of Defence in place of proper Falklands coverage) — the programme does make very clear a number of key facts in the television news story.

For a start it brings out the crucial role of BBC Radio. Producer Gordon Carr mentions at the start of his script, read by Richard Baker, that by the end of World War II audiences of 10 of 12 million were regularly listening to the Nine O'Clock News on radio. He could have added that even today such figures would be regarded by television news as excellent.

At is happens both BBC and ITN news have been doing abnormally well in the ratings in the last few weeks, presumably because of interest in the miners' strike and the dramatic police/picket confrontations, but the biggest audience has still been only a little above BBC Radio's wartime figures: 14.25m on two days in one week to give ITN the first two places in the Top 10.

For each of the last three weeks BBC News has taken four places in the BBC Top 10 with figures as high as 11.35m. To be fair, though, such figures are hardly comparable with the wartime audiences since BBC Radio in those days had a complete monopoly. The cumulative figure for television news in a single evening nowadays must be approaching 20m—a very impressive total indeed.

Many difficulties have been overcome, many milestones passed in those 30 years. The painful archness of early scripts, seemingly directed at gormless five-year-olds, has gone. The "happy happy" music over lightweight items, inherited apparently from cinema newsreels, has gone. The "guilty men" look caused by a lack of autocues and the consequent necessity for newsreaders to keep dropping their eyes has, mostly, gone. The belligerence of a young Robin Day interviewing a Japanese politician in an early ITN programme and thrusting under his nose British ballbearings with their Japanese imitations has gone, too, though ITN's deliberate attempt to reinforce the news by way of the personality of the newscaster has clearly stayed.

The sheer professionalism of today's television news from both BBC and ITN (two of the world's "Big Five," the other three being the American network news operations) becomes strikingly obvious if you monitor their output systematically over three or four weeks. With their rapid, vivid, colourful and frequently dramatic coverage of the day's events the experience leaves you in no surprise at the fact that most people now regard television as their primary source of news. And it suggests clear reasons why the tabloid newspapers, coming along the morning after, are turning more and more to sensation, sex, gossip and comment: the elements missing from television news.

The miners' action provides a striking example of the advantages of the electronic medium in delivering graphic and rapid answers to the questions that news editors used to fire at junior reporters: Who? What? Where? When? Although even today the most memorable and lasting images still come from newspaper photographs there really is no print equivalent of the newsreel which shows you the mounted police going into action at Orgreave or the lorries roaring past infuriated Ravenscraig pickets waving "Stop If You... Know... Your... Father" banners.

Significantly the two best ideas for strike coverage so far—offering time to Arthur Scargill and Ian MacGregor to make their own reports, and taking aerial pictures of coal stocks and having them analysed by a photogrammetrist—have both come from ITN.

Yet fundamental problems remain. The chain-like linear linking of television means that you have to watch all the bits of news you don't want in order to see the bits you do want; the viewer cannot scan the headlines and pass on at his own speed to his particular interests. It is the bugbear of being locked into the fourth dimension of time.

Arthur Scargill is now using this factor brilliantly to reverse the old complaint of the Glasgow Media Group that trade unions are unrepresented or misrepresented on television news. By making himself available for live interviews at news time Scargill has ensured that he and his particular version of the NUM case dominate the proceedings. His most breathtaking claims have been broadcast day after day, often unchallenged.

The greatest difficulty of all for television news, however, is to progress beyond the dramatic but elementary journalism of Who? What? Where? When? to the more serious business of How? and Why? It was precisely this problem which *Channel 4 News* was supposed to solve, with a daily 60-minute programme which, it was hoped, would become a "quality newspaper of the air."

Derrik Mercer was brought in from the Sunday Times as editor, Sarah Hogg from The Economist and Godfrey Hodgson with a Fleet Street and current affairs background were brought in as presenters with special responsibility respectively for economics and foreign affairs. The intention was to expand the television news agenda to include regular coverage of economics, science and the arts. Above all the programme was to be "analytical and anticipatory."

Today, 20 months later, the programme lasts 50 minutes Monday to Thursday, 30 minutes on Friday, and 10 minutes at the weekend. Mercer, Hogg and Hodgson have all returned from whence they came and the programme is presented with impressive professionalism by the old ITN regulars Peter Sissons and Trevor McDonald. It now looks and feels like a leisurely and vaguely quizzical version of *News At 10*. There are still occasional gestures towards the original ideal (Monday's "arts" item about photographer Andre Kertesz for example) but these look increasingly like tokenism. The chief legacy of the rapidly abandoned brave new world is a tendency to spin out single items to as much as 10 minutes with "analysis" involving lots of print on screen which usually becomes somewhat tedious.

There is, therefore, still only one programme which has broken the television news mould and moved on successfully to incorporate analysis and comment with an expanded news agenda, and it has been praised here so often that it becomes almost embarrassing. The fact remains that BBC2's *Newsnight* stands head and shoulders above the rest. It is difficult to imagine Gavin Esler's anticipatory report on the Electricity Board split at the Sizewell Inquiry, or Joan Bakewell's report on the Poet Laureateship, turning up in any news programme other than *Newsnight*.

It is the question of what gets on the agenda and what is left out which matters most for the future of television news. Yet viewers will doubtless continue to be fascinated by the foibles of the newsreaders. How can it be otherwise when poor Alastair Stewart misses a line in his script and tells us that Princess Diana is in hospital after a polo pony ran through the crowd (he offered a swift and emohatic correction) or when John Humphreys begins a new item "At a miners' rally in Scargill. . ."

Sue Lawley and Nick Witchell

After all the comings and goings among the presenters of BBC1's Sixty Minutes—especially *the goings, with Beverly Anderson and Desmond Wilcox both departing prematurely*—much speculation has surrounded the question of who will present the successor programme starting at the end of August. Today the Financial Times ends that speculation with the revelation that the chief presenter will be Sue Lawley and that she will be flanked sometimes by Nick Witchell and sometimes by Philip Hayton. Lawley is well known as a current presenter of the Nine O'Clock News and previously one of the mainstays of Nationwide. For Witchell and Hayton however, the appointment represents fairly dramatic promotion from the ranks. Witchell is a home news reporter and Hayton has been the BBC's South Africa correspondent. At the centre of the brief given to them and to the programme's editor, Ron Neal (who launched the BBC's Breakfast Time) is the instruction to "Get rid of the nonsense." This is presumably a reference to such items as skate-boarding ducks which characterised both Nationwide and to a smaller extent Sixty Minutes. The new programme is expected to begin at six o'clock with 30 minutes of national and international news and current affairs to be followed by 20-minute "opt-outs" in the various regions for local news programmes.

Stravinsky ballets/Covent Garden

Clement Crisp

"Russian Choreographic Scenes:" this subtitle to *Les Noces* might serve for the entire Stravinsky triple bill which marks the Royal Ballet's return to Covent Garden after a regional tour. With *Firebird* and *Scènes de Ballet* completing the programme, we have an evening of masterpieces each variously commenting on the Russian dance. Both *Firebird* and *Noces* are works of nostalgia; but where *Firebird* served as a skilled example of the fantastic Russian-ness that Diaghilev needed to win the Paris audiences in his early Saisons Russes, *Noces*, across the gulf of the Revolution, was a product of exile and a homage to a real, if vanished world.

Both are still admirably served by the Royal Ballet. Fokine's amalgam of folk legend and Petipa-esque patternings is leisurely, well-paced, and though the score should sound more lustrous than it did on Monday from the Sadler's Wells orchestra under Howard Williams, the ensemble was strong and David Wall and Fiona Chadwick led a sure interpretation.

Technically Miss Chadwick sails in splendour through the Firebird's arduous entries. Emotionally, there is some absence of exotic magic to her reading, but this will come with more experience. Mr Wall is ideal at every moment: his Ivan is nuanced in playing, from simple huntsman to admiring suitor, and finally as the incarnation of Holy Russian majesty in the coronation scene.

There could be no greater contrast than the succinct, allusive elegance of Ashton's masterly commentary upon the classic Russian manner in *Scènes de Ballet*. In Antoinette Sibley the ballerina role finds an interpreter well aware of the implications of her identity as *assoluta*.

Her dances are a summation of every grand attitude and procedure of the old traditional repertory, and because Miss Sibley brings great experience of these very works, her reading has the dignity as well as that academic precision and chic that are its essence. Her final moments—a sequence of exultant, beautifully rich *ports de bras*—were the wonderful culmination of a reading entirely noble and joyous.

The ballet was given an alert, sure reading from its ensemble, with Jonathan Cope outstanding in the male quintet.

Finally *Les Noces*, a well-drilled presentation, respectful of all Nijinska's amazing rhythms. I suspect that recent performances miss something of the weight and inevitability in *plastique* that the staging had when Mme Nijinska prepared it for the company. Then, its choreography seemed moulded onto the bodies of its cast, whereas today the dance outlines are lighter: but it is a great work honourably displayed, still vivid with life, and musically the interpretation was as percussively bright as one could wish.

The Fox and Hounds/Croydon Warehouse

Michael Coveney

If Alan Ayckbourn can have a cabin cruiser onstage at the National, as he did for *Way Upstream*, who is to deny Jim Morris his workaday narrow-boat nestling picturesquely under the beams and rafters of the Croydon Warehouse? No gallons of subversive water, though. Mr Morris's weekend sailors—two Liverpudlian old school chums, Vinny and Tommy, and bathing beauty model, Beverley—are stuck by a lock and trapped in the still, green and luscious Cheshire countryside.

Not just the boat, but the boat people also, have reached an impasse. As in his first success, the lively Blood on the Dole, Mr Morris examines the history of a male friendship which could almost be two sides of the same story. Vinny has climbed out of the secondary school mire with a camera to join the rate race, the hunt for achievement and self-improvement. Tommy, pot-bellied and married with two kids, represents what he left behind: all that Mersey sloppiness of the 1960s, the mindless ale-sodden hinges, the football, the hollow cackle of bonhomous revelry.

The play is neatly poised because Tommy can give as good as he gets, can expose the futility of Vinny's sermonising. In the best scene, Vinny turns a jovial photo session on deck, with Tommy dressed in red riding coat and jockey *underpants*, into an insidious ritual of humiliation.

Tommy, who owns the barge, is greeted from the land by the rubicund, barking Earl (George Costigan) who is leading the hunt. His intrusion, spectacularly arranged by designer Ellen Cairns behind a wire-mesh hedge, marks the stylistic tendency of Pip Broughton's production, which is to bite off the lyrical passages in the text and play them with brutal candour and conviction.

The playing is uniformly excellent. Mr Costigan strikes his hunting and chauvinist attitudes with a gleaming relish, and the two ageing lads are well balanced. Brian Stephens' Tommy is a vigorous Scouse hearty fading under fire, while Phillip Joseph as Vinny combines languid ambition with genuine anger. The decorative Beverley is decoratively played by Karen Drury.

Like *Way Upstream*, the play becomes unstuck in the articulation of its climax, a somewhat messily melodramatic rendition of John Peel's progress from a check to a view, from a view to a death in the morning. Repetitive use of an obvious musical quotation — Elgar's "Nimrod" Adagio — is also, well, an obvious use of repetition.

Progress/Bush

Martin Hoyle

The glumness of the good permeates the north London household. Ronee and Will are "trendy lefties"; as the nubile Ange sheltering from her violent husband puts it, "as much fun as a plane crash." Ronee runs a community Arts Centre. Will works for Channel 4 and presides over a men's group that meets for earnest yet laid-back discussions on such themes as pornography.

Doug Lucie's new play was commissioned by the Bush and touches accurately but not cruelly on the house specialities: the delusions of the dogmatic, the wish-fulfilment of the well-heeled, the comicality of enclosed cliques. We meet the foul-mouthed sitting tenant/lodger, a muck-raking journalist and obsessive sexual joker who describes himself as "the most tactful man in Fleet Street" (and who is to deny it?) perfectly played with chirpily grubby chutzpah by David Cardy; the impassioned Oliver, forever flying off in rage, grief or enthusiasm; his calculating boy-friend; and stammering Bruce who comes between them and whose final bid for freedom marks the most mature person on stage. Ange's rough husband occasionally appears: brutal but inarticulately touching, an easy victim to Ronee's anti-rapist karate.

Mr Lucie can write very funny dialogue. His characters are so laid back as to risk dislocation of the neck. They use words like "basically" and "rationally." "I wanted to try something radical," explains Will dismissively when his wife complains of his pushing her into a lesbian affair that he can participate in; "sorry you can't handle it." He spends cuttings to the Guardian's Naked Ape column, and cooks. Gregory Floy's blend of consciously playful earnestness and relaxed sincerity is beautifully convincing.

Lindsay Duncan plays Ronee. Her intelligence and authority emerge as almost too cool for the surprise that the author springs on us: Ronee still believes in love and human values while the caring Will reveals only contempt and lust for others. I gather from my television colleague that this is not necessarily concomitant with a career in Channel 4.

Lindsay Duncan and Sharon Maiden

As a study of a disintegrating marriage the play is too loose-knit and often seems no more than a cheerful bout of Guardian-reader bashing, the characters verging uncomfortably on the stereotyped. When the tiresomely loquacious Oliver, deserted by his Martin, speaks of loneliness, however, and reveals that sex can play a neglibile part in homosexual love, the writing touches a raw nerve of truth; but this is countered by the same character's drunken tirade of threadbare radical ideals addled by impotence and alcohol, protracted and needlessly profane, that lets the play's last 10 minutes down with a wallop. The stage is left to the emotional cripples, drunkenly inept or unfeelingly calculating, in an atmosphere reminiscent of "the bad trips tent at the Isle of Wight Festival."

Despite uncertainty of aim, the fun is promoted by David Hayman's direction on Geoff Rose's accurate set and some fine acting. Sharon Malden's Ange, dazzled by middle-class liberal comforts and beguiled into Will's sexual web, is true and touching; and Struan Rodger's speech-impeded Bruce, mouthing silent shapes that have nothing to do with the sound that eventually comes out, with beautiful timing and quiet dignity reconciles me to the use of physical handicaps for comdey.

Saleroom/Antony Thorncroft

The late Lord Clark's collection of medieval and Renaissance manuscripts sold at Sotheby's yesterday for £419,320. Kraus, the New York dealer, paid £176,000 for a pair of full page miniatures, probably from a Wurzburg Psalter of around 1240. The price was almost three times the estimate and was a record for a pair of single leave miniatures.

Three mid-14th century initials, perhaps from Florence, made £44,000, as against a £4,000 estimate, and a Constantinople miniature of about 1400 also far exceeded forecast at £41,800.

In the general sale of western manuscripts and miniatures which followed a hitherto unrecorded manuscript of the Book of Hours, in Dutch, by the Master of Guillebert de Mets (Southern Netherlands around 1440) sold for £220,000.

An early Gothic Book of Hours (Lorraine around 1300) with 500 miniatures made £209,000, just within estimate, and "Les Grandes Chroniques de France," a history of the kings of France, produced in Paris around 1320, went for £121,000. It has 22 miniatures and is the finest manuscript produced in Paris to appear on the market in over a decade.

Kraus paid £71,500 for a mid-15th century Florentine manuscript "De viris illustribus," a pictorial chronicle of world history with over 150 illustrations.

Cliff Richard/Wembley Arena, Status Quo/Hammersmith Odeon

Antony Thorncroft

Cliff Richard is so rich and famous that he can defy reality and go back in time. He has just embarked on a tour with The Shadows which concentrates on the music they started playing in the late '50s. Few signs of his recent more soulful work here: this is Cliffe the rocker, kicking over the traces.

Apart from an extended spot by The Shadows, only enlivened by those famous foot movements for their instrumentals now sound shallow, it was a long, enjoyable, nostalgic, wallow. Cliff is in fine voice and his deprecating humour is probably just about justified when he sings "Congratulations": "Summer Holiday"; "The Young Ones"; and, yes, "Bachelor Boy." The surprise and the secret of his success is the attack and vivacity he injects into out and out rock songs like "It'll be me" and "We say yeah." As he skips up staircases: emerges from a cloud of dry ice: and press ups around the stage, he is the oldest boy wonder in the business and a much loved national institution.

★

There was also plenty of party atmosphere at the Hammersmith Odeon on Friday night where Status Quo appeared as part of their farewell tour (tell that to Frank Sinatra). On this showing the Quo can quite literally go on for ever so completely satisfying is the ritual. The fans are in a state of rapture as they take up the long approved Status Quo concert position — bare chest, eyes down, head shake (only really effective if you have hair as long as Quo lead Francis Rossi). With the audience in supplication Status Quo adopt the long approved band position—three guitarists in a line, legs apart, instruments held at approved 1968 rock star erect angle, heads down, and boogie, boogie.

Status Quo can bash out twelve bar blues all the way to the bank and back, and after 2½ hours you must be dead if long forgotten nerves do not start to twitch in sympathy with this old time music.

As they nip around the stage, chat and joke with each other, unleash smoke and the flashiest of lights you are reminded of just how exciting end optimistic rock music used to be.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 29– July 5

Theatre

LONDON

Little Shop of Horrors (Comedy): Campy off-Broadway import which is less good than The Rocky Horror Picture Show but which has a curious charm, a full-blown performance from Ellen Greene and an exotically expanding man-eating prickly plant. (930 2578).

Pack of Lies (Lyric): A decent, enthralling play about the breaking of a spy ring in the suburban Ruislip of 1959-60. Hugh Whitemore's script cleverly constructs a drama about betrayal from the friendship of neighbours. The story is based on fact and well directed by Clifford Williams. (437 3686).

The Real Thing (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Pygmalion (Shaftesbury): Peter O'Toole is ridiculously mesmerising as Higgins in an otherwise coarse revival of this resiliently entertaining play. John Thaw is a robust Doolittle, Joyce Carey a fragile Mrs Higgins, Jack Watling a compliant Pickering, Jackie Smith-Wood an earthy but dubiously Cockney Eliza. (836 6596).

Benefactors (Vaudeville): Michael Frayn's third play in London – he also has *Noises Off* and his Anouilh translation, *Number One*, at the Queen's – is a deft, menopausal comedy about love among the architects as the bottom drops out of the high rise boom in the early 1970s. Michael Blackmore's case are Patricio Hodge, Oliver Cotton, Tim Pigott-Smith and, best of all, Brenda Blethyn. (836 9988).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around, Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

Measure for Measure (Barbican): Juliet Stevenson as Isabell confirms her promise as the RSC's brightest young actress, a worthy successor to Ashcroft and Dench, in Adrian Noble's resplendent production. (628 8795).

Strange Interlude (Duke of York's): Glenda Jackson leads a superb revival by Keith Hack of O'Neill's five-hour threnody of sexual lament. The famous interior monologue device is turned brilliantly to stylistic advantage. Fine acting too from Brian Cox, Edward Petherbridge, James Hazeldine. (836 5122).

West Side Story (Her Majesty's): Classic musical returns to its original London home with a fresh young cast of good singers and dancers. The thrills and spills of Bernstein's score and the Robbins choreography remain breathtakingly intact. (930 6606).

NEW YORK

Romeo and Juliet: Joseph Papp's Shakespeare Festival is performing in the city parks this year the Riverside Shakespeare company's version of Heartbreak in Verona. All performances free with the encouragement of bringing a blanket and picnic. (877 6810).

Sunday in the Park with George (Booth): Not your conventional musical. Stephen Sondheim's latest is an inspired pairing with director and playwright James Lapine to bring George Seurat's painting to life, with Mandy Patinkin as the painter and Bernadette Peters as his imagined girlfriend, Dot. (239 6262).

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T. S. Eliot children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

Nine (46th St): Two dozen women surround Sergio Franchi in this Tony-award winning musical version of the Fellini film 8½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (246 0246).

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organization has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

CHICAGO

Three Moscowteers (Goodman Mainstage): The juggling Karamozov Brothers have adapted their own version of Dumas to post-Revolutionary Russia with a troupe of jugglers and vaudevillians. Ends July 8. (443 3820).

WASHINGTON

Henry V (Folger): Philip Kerr directs the resident acting company led by Edward Gero as the charismatic Henry to the field of Agincourt, facing John Wylie as King Charles. Marjory Wright, the wife of the British Ambassador, plays Mistress Quickly. Ends July 1. (546 4000)

Jerry's Girls (Eisenhower): After so many revivals of Hello Dolly, singer Carol Channing and songwriter Jerry Herman have found a new package for this fruitful collaboration. (254 3670).

NETHERLANDS

George Bernard Shaw's comedy, The Philanderer, about the difficult relationship between a man and two women, is performed from Wednesday to Sunday inclusive each week in the upper hall of the Stadsschouwburg by the English-Speaking Theatre of Amsterdam. Ends July 13. (232411).

National Symphony / Washington

Frank Lipsius

Although it has been going only six years, the National Symphony's July 4 concert on the west lawn of the Capitol is quickly becoming a Washington tradition. This year's eclectic programme centring on Beethoven's Fifth Symphony has the makings of a national tradition, with a live coast-to-coast broadcast over the Public Broadcasting System.

An event that usually draws upwards of 200,000 people, the concert will be conducted by Mstislav Rostropovich, the orchestra's music director, who is spending 1984 on sabbatical. Soloists in the programme are baritone Robert Merrill, who will open the concert singing the national anthem and close it with Irving Berlin's *God Bless America*, and flautist James Galway previewing works by Marais, Mancini and Overton from his forthcoming album, *Songs for Annie*. The programme will be rounded out with a tribute to Richard Rodgers, including his "Guadalcanal March" from *Victory at Sea* and four waltzes, and a rousing finale of John Philip Sousa's *The Stars and Stripes Forever*, which will be the signal for a fireworks spectacular.

As the orchestra of the nation's capital, the National Symphony has benefited from an effort to enhance its quality and prestige in keeping with the whole thrust represented by the imposing Kennedy Centre and its constant stream of cultural events, ranging from children's concerts to visits from the Metropolitan Opera. The Independence Day concert comes less than a fortnight after a gruelling eight-day tour of South America, where the orchestra, again conducted by Rostropovich taking time off from his sabbatical, performed eight concerts in three countries.

The orchestra chose a repertoire that includes American music and scores with which the orchestra has become associated through recordings, such as Shostakovich's Fifth Symphony and excerpts from Prokofiev's *Romeo and Juliet*. The American works performed in Sao Paulo, Montevideo and Buenos Aires were Barber's *Adagio for Strings* and Ives's *The Unanswered Question*, as part of programmes that also included Beethoven's Fourth Symphony, Debussy's *La Mer* and Tchaikovsky's Symphony No 6.

On the orchestra's previous South American tour five years ago, the Buenos Aires premiere was attended by 3,300 people in a hall that holds only 2,800. This time the concerts were broadcast throughout the countries being visited to reach as wide an audience as possible.

As part of the goodwill being generated by the tour, which originated from an invitation extended by the Mozarteum Argentino, a force in promoting music throughout South America, members of the orchestra also participated in other concerts. The Millenium Ensemble and Euterpe, composed of orchestra members, performed their own concerts and free lunchtime recitals.

The National Symphony's typically busy summer has the Fourth of July concert followed by a Beethoven festival at the Kennedy Centre and a short season at the outdoor Wolf Trap Festival in nearby Vienna, Virginia. A gala featuring Placido Domingo precedes three concerts and a summer finale back at the Capitol West Lawn for a John Philip Sousa tribute on Labour Day, September 3.

Although the National Symphony has no doubt enjoyed a particular advantage in being associated with the growth of the Kennedy Centre and the self-conscious effort to encourage the arts in Washington, it has also grown in stature and ambition since Mr Rostropovich's arrival in 1977. He returns from his sabbatical in January to a full season at the Kennedy Centre.

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Wednesday July 4 1984

A change on Ulster

AFTER EUROPE, Ireland? At Fontainebleau last week Mrs Thatcher finally came to terms with the rest of the European Community over the British contribution to the budget. There are now signs that she is taking a similarly realistic view of the Irish question.

The decisive presence in the House of Commons debate on Monday was not just Mr James Prior, the Northern Ireland Secretary. It was the Prime Minister by his side. Mr Prior said, in one of those remarks that can be a prelude to a change in policy: "The dangers for the people of Northern Ireland of sitting back and doing nothing are greater than the obvious risks of seeking to make some potential advance." Mrs Thatcher, who need not have been there at all and has sometimes conspicuously stayed away, nodded her assent.

Peace appeal

Mr Prior also said he had changed his thinking on Ulster over the years. "At one time," he explained, "I felt that a major, strong and effective political response would in itself prevent terror. Now I am of the belief that in the short run political progress may increase terrorism for a short time before things improve." The clear implication was that the risk of a short-term rise in violence may be worth taking for the sake of some political reconciliation. That is a marked change of tone from the language of all previous Secretaries of State since Mr (now Viscount) Whitelaw. Mr Prior, with the Prime Minister's support, seems to be looking to the future rather than seeking simply to maintain an unsatisfactory *status quo*.

The tone of the Ulster speakers has changed, too. Even the Rev Ian Paisley, for all his earlier bombast, ended his speech with a moving appeal for peace, and though he rejected totally and predictably the idea of Irish unity, he looked forward to the day when government departments in north and south could again get together. Mr James Molyneaux, for the Official Unionists, said he fully understood why the mainly catholic Social and Democratic Labour Party (SDLP) could not yet take its place in the Northern Ireland Assembly. And Mr John Hume, the SDLP leader, called for talks between the communities without preconditions.

Some of that was no doubt opportunistic. The report of the New Ireland Forum, which was under debate, has heightened consciousness about the Irish question. There is apprehension on the Unionist side that if there is no political progress, British policy may become more active, and indeed the Unionists have recently produced some documents of their own acknowledging the need to take the rights of the minority in Ulster into account.

It is precisely that sense of movement that needs to be encouraged. As the Forum report implicitly admitted, the immediate issue is not Irish unity: it is a reconciliation between the communities in the north. Without that unification between north and south is unthinkable, and it may be that the truth is beginning to dawn on unionists and nationalists alike.

Mr Prior announced no new policies. It was the change in emphasis that mattered. He expects the parties in Northern Ireland to start talking to each other, and it is significant that their leaders did not say they would not. But there was also a veiled threat. The next few months, he said, would be crucial. If the parties could not find common ground among themselves, "the Government could not possibly stand idly by."

Stalemate

That touch of steel is the new element in the British approach. The Government has far more power in Ulster than it has chosen to exercise. It has poured in subsidies without reward. It has used the army more sparingly than it might have done. Meanwhile the stalemate has been allowed to continue because the parties had no incentive to get together. The economic decline and the continuing violence may be finally bringing a change of will still have to push.

Mr Prior has given a signal. His stint of office may be coming to an end by normal standards. Whoever is Secretary of State, however, will require the full and visible support of the Prime Minister. The performance on Monday was a perfect demonstration. Mrs Thatcher may be at last putting Ulster towards the top of the political agenda.

Mr Lawson's City lights

MR NIGEL LAWSON'S speech last night on the changes under way in Britain's financial markets was a curious mixture of policy statements and public musings. But when a Chancellor of the Exchequer — especially this one — chooses to make his first statement on an important financial issue, it is as well to pay attention. This is especially true when he appears to be taking a different line to some of his colleagues.

Thus there were loud gulps at the Department of Trade and Industry in response to Mr Lawson's comments on self regulation in the City. The Department, which has the responsibility for such matters, has been veering towards a regulatory system in which all financial service companies would be obliged to register with one or more of about four self regulatory agencies, covering areas like securities trading or investment management. These agencies would in turn be subject to the direct supervision of the Trade Department itself.

But Mr Lawson is concerned that such compartmentalised regulation of City institutions will make less sense as they increasingly turn themselves into providers of financial services across the board. He has gone so far as to suggest that there could be a case for a freestanding regulatory agency with umbrella responsibilities and statutory backing, an idea which has been an anathema the past.

Regulation

We share Mr Lawson's worries. There is no doubt that reliable self regulation is preferable to a panoply of regulations and quangos. But the investments markets are changing in a way that is putting increasing strains on the traditional structure of regulation. They are becoming more fragmented, and at the same time are attracting a new kind of integrated securities firm with interests spanning different markets and different financial centres.

Whereas the eyebrows of the Bank of England Governor may bring a small London firm to its knees, they may be of more limited interest to a large investment bank from the U.S. or Japan. The Trade Department has not got a glittering record in regulating the financial markets. It would be absurd to exclude from the debate the possibility of an independent statutory agency just because the idea reminds people of the U.S. Securities and Exchange Commission.

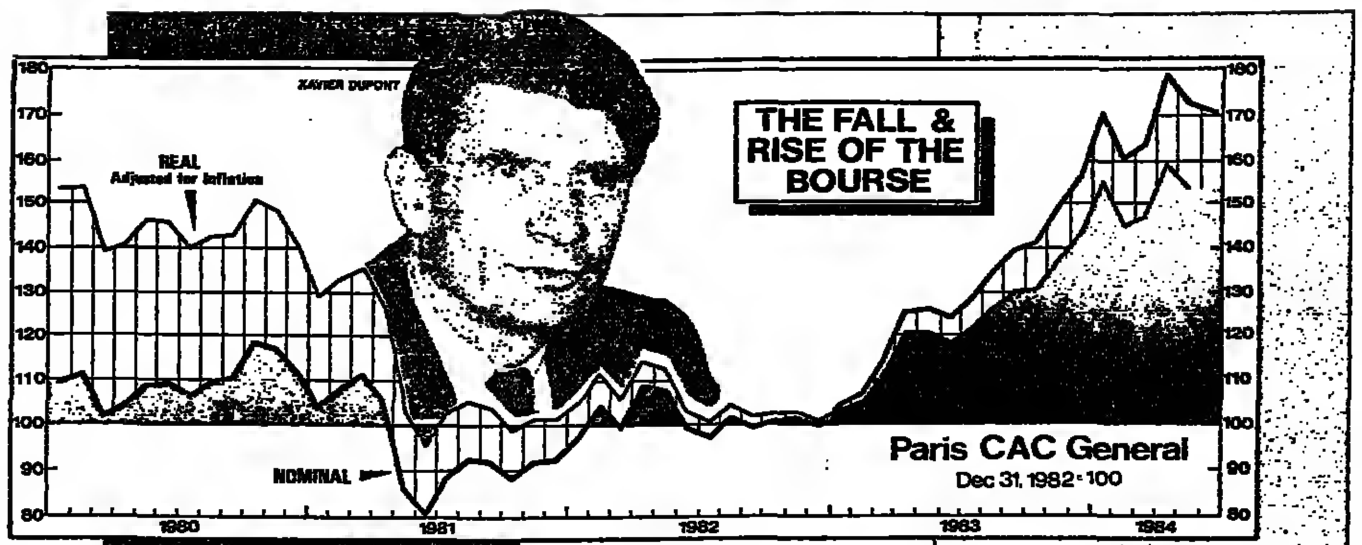
The Chancellor also had a clear message for those members of the Stock Exchange who would like to continue their old ways in the new world. A key feature of the equity market in the future must be transparent and full information about deals, he said—and he might have added that this means setting up a system which displays full details of all transactions as they occur, on the lines of New York's consolidated tape.

Legislation

Turning to the reform of the building societies, Mr Lawson dropped broad hints about the Green Paper on their legal framework, which will be published in the next few weeks. As expected, this appears likely to go along with the societies' wish to expand their activities, and to provide limited banking services to the personal sector. It will also raise the possibility of their becoming involved in conveyancing, surveying and even security transactions.

The central question here is about the prudential and economic issues raised by expansion on such a scale. On this subject, however, Mr Lawson limited himself to a general comment about the need to strengthen the prudential framework for societies under the new legislation.

It is tempting to speculate about the political background to last night's speech. After all, the Chancellor was treading on turf in which both the Bank of England and the Trade Department have a declared interest. But as minister with ultimate responsibility for banks and building societies, and with an important interest in the health of the gilt-edged market, he has a perfect right to make his views known. Given the importance of the issues involved, the wider the debate the better.



Chris Walker

The French Bourse

The new appetite for enterprise

By David Marsh in Paris

THE CHAIRMAN of one of France's largest nationalised banks is free with his advice, in cocktail party conversation, on how to denationalise part of the state's holdings in the banks and industrial companies taken into public ownership by the Socialist Government in February 1982.

Talking about possible action by either the present or a future government, he says: "If they are astute, they will not sell existing shares. Instead, they will give the nationalised companies the right to increase their capital through share issues on the Bourse."

The statement, from a man who enjoys the Government's close confidence, neatly encapsulates the 180 degree turn in the Socialists' relationship with the French financial markets since President Francois Mitterrand came to power in May 1981, triggering in the process one of the biggest collapses of the Paris bourse.

The Government has gone further than simply declaring a truce with the barons of the financial world, which was described by M Mitterrand, while in opposition, as a capitalist "jungle."

It has become the prime mover behind a drive to revitalise France's long-somnolent equity markets to fulfil what has become a priority aim of the Mitterrand administration—increasing capital flows to equity-starved industry as part of the much-vaunted "modernisation" of France.

Amid a rush by French banks and financial institutions to import U.S.-style risk capital techniques to bring more funds within reach of French entrepreneurs (see below), M Mitterrand talks with almost messianic zeal of developing French people's "taste for enterprise." And the message—accompanied by a clear economic policy tilt to boost the corporate sector, and an overall improvement in French companies' financial results over the past 18 months — has found a receptive audience on the stock market.

In spite of the sluggish economy and the well-publicised difficulties of traditional manufacturing sectors such as cars and steel—to say nothing of the spectacular bankruptcy of Creusot-Loire—the French stock market over the past 15 months has been enjoying an unprecedented boom.

Bolstered by fiscal incentives brought in by the Government last year to boost securities investment and heartened by the toughening of the Socialists' economic policies after March 1983, the Paris bourse has outperformed most other financial centres during a period of general world stock market buoyancy.

Partly profiting from a "catch-up" after the price doldrums of 1981 and 1982, the market gained 56 per cent last year and has risen a further 8.5 per cent in 1984, in spite of the general shakiness of world stock markets in recent months. Equity transactions have increased by about half from 1982, while new share issues last year were up three-fold.

For M Xavier Dupont, chairman since the beginning of the year the French stockbrokers' association, the renaissance of the equity market is one sign of "Reaganism penetrating progressively into the country."

Although he says that the Socialist administration clearly does not have the natural confidence of French business chiefs, it has shown that it realises there is a limit to government action.

"At the beginning, the Government had illusions about the capacity of the French economy and its real possibilities. It has taken two years for policies to change."

Restructuring measures, and a refusal to plough in more state aid to areas like coal and steel, as well as Creusot-Loire, have perhaps been brutal, he says. "But they have impressed the markets. Investors have considered them courageous, if inevitable. It shows that the state cannot do everything—there is a new appetite for freedom and enterprise."

The message has also been heard by foreign investors. British funds and insurance companies were among the first to climb aboard the French equity bandwagon with purchases just before the austerity programme announced in March last year. Some Paris stockbrokers go so far as to say that if the right-wing opposition were to return to power tomorrow, the Bourse would probably fall—out of the market's fears that the right would be less successful than the left in preserving industrial peace at a time of mounting unemployment.

The French bourse certainly still has severe shortcomings. Despite the 1983-84 fillip in terms of capitalisation, it is half the size even of West Germany's under-developed stock market. London's is five times bigger, New York's, 36 times.

Trading is narrow. In spite of the presence of around two dozen internationally traded stocks, many of them in consumer areas like food and drink or cosmetics where the French have traditionally excelled, "blue chips" are in woefully short supply—specially after the nationalisations in 1982 removed from quotation banks and industrial companies making up more than 10 per cent of market capitalisation and increased the state's control of several other companies which remained quoted.

Only about 2 per cent of total French companies are listed in Paris or on the regional bourses, and the number has fallen by nearly half over the past 20 years.

Finally, for investors, the Bourse is disturbingly prone to mishaps. A former growth stock, Amrep, the leading oil drilling services group, has just been placed in receivership, and its chairman charged with issuing false information after publishing a hopelessly overoptimistic bond-offering prospectus at the end of last year.

Thomson-CSF, the still quoted defence arm of the now nationalised Thomson electronics group, is at the centre of an inquiry into insider trading after the alleged leaking of arms deal secrets by a Defence Ministry official earlier this year. And the official Bourse Commission has just revealed another case of severe irregularities involving illegal manipulation of bond deals in 1982.

The nationalisation of five of the country's biggest industrial groups and all the leading banks outside the already state-owned Big Three, struck the heaviest single blow to the Bourse's reputation in recent years. Ironically, it marked a turning point in the Government's attitude towards the financial markets.

Soon after the massive extension of state ownership (on compensation terms which now generally look advantageous to the former shareholders), the Government realised that the available budgetary funds were wholly insufficient for the dual task of stemming losses and injecting much needed fresh capital to assist expansion among its new-found charges.

The past 18 months have therefore seen a string of nationalised companies returning to raise capital on the equity market from which the Government meant to cut them off only 2½ years ago.

Using a variety of ingenious means such as non-voting loan stocks, share issues by subsidiaries, and convertible bond offerings, the transactions have not so far resulted in any dilution of 100 per cent state ownership of the central group company.

Yet the issues—which have been made or announced by all the five newly-nationalised groups (Compagnie Generale d'Electricite, Thomson, Saint Gobain, *Rhone-Poulenc, and* Pechiney) as well as by several banks—considerably lower the state's importance in their financing strategies. And they could pave the way for fully-fledged denationalisation of at least part of the state's holdings in later years.

"The state's (financing) effort has not been negligible," says M Jean-Pierre Brunet, the chairman of CGE, diplomatically, "but we use all means possible—and there is also the market."

Last month CGE drove home the point dramatically by announcing a few weeks back that its Paris bourse-quoted subsidiary CIT Alcatel is seeking to make a U.S. share issue. One stumbling block is that the Securities and Exchange Commission may not allow a flotation by a company majority-owned by the state—which in itself would eloquently demonstrate one advantage of denationalisation.

WHY COMPANIES BEAR GRUDGES

FRENCH companies, large and small, bear an almost universal grudge against the country's banking system, charging that it is not sufficiently interested in providing cash for risk taking industrialists.

The Socialist government has reacted to the criticism by helping to set up an over-the-counter market on the French stock exchange, closely modelled on the London unlisted securities market, to spur floating of shares by France's vast array of small family-owned enterprises.

Most recently, the Government has introduced legislation to promote venture capital techniques and management buy-outs to help small companies raise much needed private funds from outside investors and their own employees, particularly in areas like electronics and biotechnology.

The over-the-counter market or "Second Marché" has proved an outstanding success since it was opened in February 1983. Attracted by the need to float only a minimum 10 per cent of capital (which rules out the danger of loss of control feared by so many patrons) and an easing of bourse formalities, around 40 small and medium companies have made flotations on the new market.

The drawbacks have been thin and sometimes speculative trading, with initial issues often wildly over-subscribed. Several newly-floated stocks have doubled in price since introduction, but some seasoned Paris bankers feel this could herald a price collapse later on.

For the companies themselves, the market's success has been a considerable bonus. M Jean-Louis Gerondeau, chairman of Zodiac, the rubber boat manufacturer, one of the first companies on the Second Marché, says the market "is very important as a means of giving management a challenge.

But he adds that wider share ownership brings the need for discipline in running the company. "The public is likely to be less forgiving than the family."

A drawback up to now of the Second Marché is that, in contrast to the London USM, only one high-technology stock, for Tonna Electronique of Nancy, has been introduced.

In recent months, a string of state-backed financial groups including the Paribas and Suez conglomerates, the Industrial Development Institute, the Credit National financing institution and the Credit d'Equipement des Petites et Moyennes Entreprises (the small business funding body) have all announced initiatives to channel capital into small firms and promote buy-outs

Several foreign institutions, including Citibank and Britain's Investors in Industry group, backed by the main London and Scottish clearing banks and the Bank of England, have moved on to the French venture capital scene.

M Patrick de Giovanni, one of the partners of the French arm of Alan Patricof Associates, the eighth largest U.S. venture capital group, which set up in Paris last year a FFr 100m venture capital fund, says: "The methods developed in the U.S. can be transplanted in France—even if they have to be adapted to local conditions."

Initiatives are certainly needed because French venture capitalists—at least *according* to two small electronics companies on the celebrated high-technology science park at Grenoble—have failed up to now.

M Bernard Sanchini, the research and development director at Symag which was a fast-growing micro-computer firm before being forced into bankruptcy last month says: "Companies in traditional sectors find it easier to get money than we do from the banks. Information technology is thought of as something risky."

As for Industrie et Technologie de la Machine Intelligente, a robotics and artificial intelligence company set up by four university graduates in 1982, M Gerdard Mezeu, one of the firm's directors, says: "The French banking system is totally outmoded compared with the needs."

Men and Matters

Manchester's Marco Polo

Leo Kalisch has spent £30m in China in the past 25 years. The Czech-born chief of Manchester-based leather goods company Pacific Sales was operating there long before the Cultural Revolution. "So long," he says, "that they call me Marco Polo out there."

Kalisch's company is going into the United Securities Market to raise £960,000 through brokers Laurie Milbank.

Back in the 1960s, when Kalisch was advised to seek cheap leather imports from Japan, he decided to concentrate on China. The People's Republic is an almost limitless source of cheap pigskin and building up relations with the Peking government in those early days wasn't all that difficult.

Kalisch says: "It's a good and still virtually untapped area for small companies. But I don't mean too small. You must be able to buy enough goods to guarantee a fairly high level of employment in a particular sector."

In the early days, although the leather was good, the designs didn't work for western demands. But Kalisch's company has introduced western designs into China and keeps several hundred Chinese workers employed producing leather *goods*.

His market is the UK supermarket chains and mail order houses—for example, if you buy a cheque book cover at Tesco it will probably have the Pacific Sales logo somewhere.

In 1970 Pacific was taken over by Hutchinson Whampoa of Hong Kong. Twelve years later Kalisch quit Hutchison and bought Pacific back.

He makes another trip to China soon to talk about next year's products. He still sees his company's future there—"the Chinese are such good technicians and such good learners."

"The way things are going it won't be long before they're all turned into Leisure parks"

Garden party

How, when you have two entrances a mile apart, numerous turnstiles and a flow of more than 100 people a minute, do you know where to put the media circus so that it can capture the millionth visitor to a major event?

The answer is walkie-talkies everywhere, temporary closure of all but one turnstile as the critical moment approaches, and a countdown through the last 10 people for the reporters to pounce at zero.

So did Ray Bland, a civil engineer from Derby, find himself pinned against a pay kiosk by an array of microphones as he tried to buy a £9 family ticket to get into the International Garden Festival in Liverpool yesterday.

Bland's family day out ended profitably—he got his entrance money back and a Ford Fiesta.

Meanwhile, the Merseyside Development Corporation, organisers of the festival, had other lessons to impart yesterday. A delegation from Osaka city council visited the site to see if it could mount something similar as part of its "21st century plan." It is this sort of vision which makes the wrangling over the Liverpool site's future look deservedly shabby.

The name game

IN 1981 two young businessmen, Mark Futter and Richard Schlagman, staked the future of their company on a famous British name. They paid £250,000 to buy the rights to the Bush Radio trade mark from the Rank Organisation, and outbid the giants of home electronics, among them GEC.

The gamble has transformed the company and made each man a millionaire. When Bush Radio is brought to the USM this week, the placing will bring Futter, aged 29, and 30-year-old Schlagman about £1m each and will leave them with one-third stakes in a company worth more than £8m.

Spark plug

Chinese leaders have finally put out the spark of revolution which has been kept alive for 18 years in Tianjin's Internal Combustion Engine Research Institute.

Supporters of Chairman Mao's cultural revolution took over the Institute in 1966—and according to the official news agency Xinhua, it has been in "a state of chaos" ever since.

Senior academics (the Institute is part of Tianjin University) have been "despised and expelled" on "wrong, false and trumped up charges."

Until May, the Institute was still being run by a "revolutionary committee," years after such cultural phenomena had disappeared from other organisations.

All its members have now been dismissed for holding "wrong views"—i.e. supporting —the Cultural Revolution.

But this has only been achieved through the combined forces of the State Scientific and Technological Commission, the Ministry of Education, the Ministry of Machine Building, and the Tianjin Municipal Communist Communist Party, galvanised by "leading comrades at the central level," who could include Deng Xiaoping himself.

The ousted revolutionaries have been asked "to clearly solve their problems in the course of Party rectification"—a mild punishment which suggests they are not without sympathisers.

Return match

After nearly five years out of favour, Sid Ahmed Ghozali, Algeria's former Energy Minister, has been recalled to active service by President Chadli, who has appointed him to represent his country in Brussels.

One of the architects of modern Algeria, Ghozali was instrumental in nationalising French oil interests in early 1971, and throughout most of the presidency of Houari Boumediene was in charge of the country's energy policy.

Ghozali lost his post in 1979 when the ruling party decided to switch priorities from heavy industrialisation to agriculture and social policies.

His posting to Brussels should give him a chance to pick up the threads of his old interests. What promise to be some difficult negotiations are due to start in the autumn between Algeria's state oil and gas agency, Sonatrach (which Ghozali once headed) and Distrigaz of Belgium.

Since 1982, Distrigaz has twice reduced the amount of gas it contracted to buy from Algeria back in the 1970s—and Ghozali's successor as Energy Minister, Belkacem Nabi, may need some help from the man he has accused of being "too soft" towards Sonatrach's customers.

Observer

UK PRIVATISATION: AFTER THE RTZ ROW

Mrs Thatcher sails on

By Peter Riddell, Political Editor

"THE Government's next sale has got to be a big success. We cannot afford another flop," said one senior Tory MP this week in the midst of the row over the flotation of Enterprise Oil, the former North Sea oil interests of British Gas.

The Government's privatisation programme certainly faces a crisis of confidence which extends from City institutions, via the affected concerns, to Westminster. But it does not apparently include the Government itself, where all is still for the best in the best of all possible worlds.

The doubts are important because privatisation has become the heart of the Government's programme for its second term. Legislation to allow concerns to be sold dominates much of parliamentary time and a major theme of ministers' speeches is the need to "liberate" assets from the dead hand of the public sector. The Treasury is also counting on roughly £2bn a year from disposals to help contain public sector borrowing. (The coming flotation of British Telecom will by itself be the largest such operation attempted in Europe.)

Privatisation has become the mainspring of activity in many departments. Having a long list of potential disposals is a sure way for a minister to get noticed favourably by the Prime Minister. A Cabinet committee, E (DL), under the chairmanship of Mr Nigel Lawson, the Chancellor, co-ordinates this work and woe betide anyone who is seen to be dragging his feet.

"No state monopoly is sacrosanct," says Mr John Moore, Financial Secretary to the Treasury, with day-to-day responsibility for privatisation. Yet the very urgency of the programme has created doubts. Some concerns—like the Royal Ordnance Factories—are being privatised just for the sake of dogma, some critics say, including a few Tory ones.

The row over Enterprise Oil and arguments over the future structure of BT and British Airways have raised two basic questions. First, are the methods of sale right; and, second, is there a conflict between the Government's desire to dispose of assets and its aim to promote competition.

The furore of the last few days is not an isolated example, even though there are unusual points about the Enterprise Oil flotation because of the intervention of Rio Tinto-Zinc. Several previous privatisation issues have either been heavily oversubscribed and opened at a large premium (British Aerospace, Amersham International and Associated British Ports) or a majority of the shares have been left with the underwriters (Britoil and, now, Enterprise Oil).

This alternation between feast and famine has led to repeated criticisms from the Public Accounts Committee, the parliamentary watchdog over public expenditure. The committee has been concerned about the risk of allowing large profits to be made at the taxpayers' expense. After Enterprise, Mr Robert Sheldon, the Labour chairman of the committee, noted that the MPs had suggested selling the shares on a partial and phased basis.

The Government's response is that any initial City upsets do not really matter compared with the longer-term impact on competition, jobs and profits when a company is transferred into the private sector. After all, the underwriters are paid to take the rough with the smooth and the taxpayers have received the proceeds.

More specifically, there are no signs of any change of heart after Enterprise Oil. Ministers point out that, as with the Britoil flotation in November 1982, the Enterprise issue was adversely affected by unpredictable instability in the oil market between the time of the price being fixed and the date for subscription.

The Government, ministers say, had always made it clear that Enterprise would remain an independent company and neither RTZ nor the underwriters should complain that the former was prevented from buying a 49 per cent stake at flotation—especially as the shares soon moved to a premium.

Yet, even if Enterprise has been exceptional, some conflicts are likely to remain. Restrictions on the size of individual shareholdings will affect the amount that can be raised.

Mr Kenneth Baker, the Minister for Information Technology, can fairly point out that few of these problems will affect this autumn's offer of shares in BT. There is, for instance, a statutory bar on any investor having more than 15 per cent of BT's equity.

The problems with the BT flotation are more to do with its sheer size (£3bn plus), and with investors' attitudes to a regulated quasi-monopoly. The question is not whether anyone is going to make a quick killing but whether there will be enough demand—from UK and overseas institutions and from telephone subscribers in Britain—to support the issue.

So, there are no indications of any second thoughts despite all the problems. Nevertheless, one senior minister with City experience believes that the events of the past year have forced the zealots for privatisation to take a more sober view. "At first the Treasury just assumed it could sell £2bn or more a year; now it is having to listen to the City more and to take account of the impact on the stock market, on rights issues and on gilt-edged issues," he says.

The BT issue also highlights the related question of industrial structure. The arguments of the past six months over BT's licence and tariff policy and over its relations with the independent Mercury consortium have shown there is a conflict between maximising profits (and hence the share price) and extending competition.

Treasury ministers like Mr Moore have claimed that competition, improved efficiency and the discipline of the private capital markets are more important than the effect of the sale on government borrowing. Yet the latter is seldom forgotten.

The same conflict has produced an intense, and still unresolved, debate within Whitehall and the aviation industry about the future of BA after privatisation. These differences turn on how far the airline should retain its present route structure.

Many observers at Westminster believe that in practice the desire to shift concerns out of the public sector at a good price has often overridden this twin-goal of promoting competition. Moreover, cross-party groups such as the Trade and Industry Committee, have been worried that a piecemeal approach to privatisation will lead to the disposal of the more profitable parts of British Steel and BL "leaving only a loss-making rump in the public sector against the interests of the affected industries, its customers or the taxpayer." Indeed, both the BL board and Mr Norman Tebbit, the Trade and Industry Secretary, originally wanted the group to retain a minority share in Jaguar, but they were overruled by a Cabinet committee.

These issues also figure in the current Cabinet debate over the future of the gas and electricity industries. A Bill to allow privatisation of British Gas Corporation interests has been pencilled in as a top priority for the next parliamentary session. But progress has been very slow. The Treasury, has been urging the break-up of the gas and electricity industries, notably parts of electricity generation and the production and marketing of gas. However, Mr Peter Walker, Energy Secretary, is sceptical about the scope for introducing competition and favours privatisation of these concerns as integrated operations to a new regulatory framework.

The discussions are apparently being conducted like a stately pirouette. One amused observer remarked that whenever the topic comes up Mrs Thatcher says she feels sure Mr Walker is making good progress and he assures her that the matter is being fully investigated. Both know the result is delay, and probable compromise.

There is no doubt that the privatisation programmes will continue. But the pace may be slower as the Enterprise row and the problems of scale of BT mean that the Government has to take more account of the stock market. If it took over half a century to assemble the present structure of the public sector, it may take more than five years to dismantle it.

THE PROGRAMME AHEAD

(IN PROBABLE ORDER OF SALE)

BRITISH RAIL SEALINK	Later this month
BL-JAGUAR	Later this month
BRITISH SHIPBUILDERS, WARSHIPS	Date to be fixed
BRITISH TELECOM	First tranche late autumn
BRITISH AIRWAYS	1984-85 (may slip)
ROYAL ORDNANCE FACTORIES	Bill nearly law
BRITISH AIRPORTS AUTHORITY	Legislation required
NATIONAL BUS COMPANY	White Paper due this month
BL-UNIPART AND LAND ROVER	No fixed date
BRITISH STEEL (profitable parts)	Uncertain

Parts of electricity generation and gas production and marketing (possible eventually, depending on legislation).

Further tranches of existing partially privatised companies may be sold at any time.

Finance Bill

A way of getting out of the time trap

By Tim Eggar

LAST Wednesday at 3 am, the committee stage of the 1984 Finance Bill ended after almost 155 hours, the longest to date.

The committee proceedings this year were not constructive. There were plenty of words, but technical grasp of the many complex clauses was in short supply. Personal attacks featured to an unusual degree. Tax practitioners will profit little from reading through the almost 1,500 columns of Hansard. Yet both sides played (more or less) by the unwritten rules which are familiar to Finance Bill connoisseurs. Government back-benchers hardly spoke, knowing that to do so would prolong Opposition debates. Opposition members chided Government back-benchers for their silence; knowing perfectly well that their silence alone ensured any progress on the Bill in the absence of a guillotine.

The time taken on each clause was dictated, not by its technical complexity, or fiscal import; but rather by the tactics of the Opposition. The Opposition tried (not always successfully) to ensure that politically sensitive debates took place at prime reporting time. As usual this resulted in a lack of perspective—the committee spent over 22 hours discussing share option schemes; and five minutes disposing of stock relief.

In short, consideration of even the most technical clauses of the Bill was dictated by political exigency, rather than the need for proper legislative scrutiny. There is nothing new in this, though at times this committee did plumb new depths. The procedure remains profoundly unsatisfactory.

There may be one consolation in the conduct this year—the case for reform of Finance Bill procedure has been strengthened. The normal suggestion for reform of the committee stage of all Bills is to operate a timetable from the outset. This idea is popular with governments, but distrusted by the Opposition whose only weapon is time. Yet there has never been much point in timetabling the Finance Bill. Everybody knows that in practice the Bill has to be law by early August, and both parties act accordingly.

Curiously, it is the very lack of time which has contributed to a growing consensus in favour of reform. Finance Bills are notable in that they include three widely different elements—changing the rates of existing taxes; introducing new taxes; and revising existing legislation—which is often highly technical and uncontroversial.

The idea of introducing a Technical Finance Bill concentrating exclusively on the third category (technical and consolidation changes) was given increased attention after the Armstrong committee report in 1981. Prior to the report, similar proposals had been supported by Sir Geoffrey Howe as Shadow Chancellor and John Biffen and John Wakeham, who as Leader of the House and Government Chief Whip, should have influence in such matters. During the last Parliament, the Treasury Select Committee and the Procedure (Finance) Committee both supported the introduction of a separate Technical Finance Bill.

Hope of a radical approach by the Chancellor

Sadly, in spite of powerful support, there is little sign of action. The number of new MPs means that there is a less widespread recognition of the need for change.

Government business managers fear that a new Technical Finance Bill would mean more time in the chamber on financial matters. The Opposition suspects that it would have fewer opportunities for delay. The Treasury maintains that it would be difficult to introduce two Bills a session; despite the fact that other departments with fewer ministers do this as a matter of course. It would entail some changes in the normal Treasury and Inland Revenue timetable, but this should not be insuperable.

The main difficulty lies in deciding which clauses are appropriate for a "technical Bill." An essential prerequisite is that they should be non-controversial—at least in political terms. Yet what is technical to some, is political to others. There have been suggestions that "technicality" should be decided by an independent committee like the Law Commission, or by a select committee of the House. Yet neither method ensures that the clauses selected will not be party political.

There is one method which should command general support, which could be introduced with minimal controversy and help the cause of more open government. Only taxation clauses which had been issued as draft clauses at least four months before the publication of the "technical Bill" could be included in that Bill—which could be introduced in November each year. As a matter of practice, any clause to which the Opposition objected, would be left for the main Finance Bill. The Government would decide whether observations from other interested groups on the draft clauses meant that the Bill was bound to become bogged down in the "political" rather than the "technical" argument.

Initially, the "technical" Bills under this procedure would be short as the Government and Inland Revenue felt their way. Gradually, more clauses would be brought in under the procedure, as the Revenue found out that it was better to put up with prolonged consultation on draft clauses, rather than watch bad law being pushed through.

The committee might even be adventurous, and adopt the Special Standing Committee procedure which enables expert witnesses to be called on certain aspects of a Bill.

This suggestion for gradual reform, may not be radical enough for many; yet realistically, it is probably the most that is attainable in this Parliament. Nigel Lawson is committed to being a radical, tax-reforming Chancellor. Let us hope that he can take as radical an approach to the way in which his departments legislate.

Mr Eggar is Conservative MP for Enfield North and a member of the Finance Bill Committee.

Letters to the Editor

Naught for the widows

From Mr P. Richer

Sir,—I refer to your legal correspondent's excellent article (June 14) entitled "Overdue debts; no right to interest".

I find that many insurance companies when cashing life policies pay no interest on the monies held by them in the interval between the date of the death of the policyholder and the time settlement is made on the production of a grant of probate or letters of administration. Since it may take a number of months to obtain a grant, this means that the beneficiaries—literally widows and orphans in most cases and the very persons who need the money most—suffer the most, as the amount involved can be quite substantial—in fact my conservative estimate across the board is £10m to £11m per annum.

In contrast I may say that all building societies, banks (on deposit account) and the state savings schemes pay interest right up to the date on which monies are withdrawn.

Whenever I have queried this discriminatory practice in the past the insurance companies have responded either with a niggardly ex-gratia payment or with nothing at all.

Mr Tony Marlow MP was prompted by my exposure of these malpractices to ask the Minister of Consumer Affairs, Mr Alex Fletcher, on March 22 if he would "introduce legislation providing that interest is payable on life assurance policies from the date the liability becomes due until the date of payment" to which Mr Fletcher gave a rather unhappy and misleading reply.

While legislation to redress this manifest injustice seems to be rather remote, would it not be a charitable gesture for the life insurance industry to put its house in order now?

I submit that the offending companies, most of whom are household names, are acting dishonourably. They should face their moral obligations and pay an equitable rate of interest as long as they retain money due to beneficiaries.

Percy Richer,
Upton Britton and Lumb,
9, Leigham Hall Parade,
Streatham High Road, SW16.

Carrots and sticks

From Mr C. Stitt

Sir,—I have just read the statement by Ian Stewart, Economic Secretary to the Treasury in response to an inquiry by Jeff Rooker that was reported on June 15. "I do not want to see earnings and profits diverted from this country which properly should be taxed in this country."

This is a sentiment with which I wholeheartedly, indeed unreservedly, concur. I am extremely concerned, however, at the manner in which these earnings are taxed in the UK. At present if a UK company has two overseas subsidiaries one in a tax-free country and one in a 60 per cent tax rate country, the UK parent will, on receipt of dividends from both be subject to no tax on the 60 per cent tax rate dividend but full UK tax on the other with no relief for the excess of the 60 per cent rate over the UK rate. Furthermore if the following year the tax-free country enacts legislation to impose an 80 per cent tax on profits, no relief is given for the excess of the 80 per cent tax rate over the UK tax rate against UK tax on the prior year dividends. Thus there is a by source, by year, limitation within the UK system of double taxation relief.

There is a way round this problem; interpose a Netherlands or a Danish holding company between the UK parent and its overseas subsidiaries, since both countries don't seek to tax overseas dividends in most cases. There is however a cost, not only is there normally a 5 per cent withholding tax on the dividends paid by the holding company but also there is an element of administrative cost involved.

This whole system puts us at a disadvantage when compared to our major trading competitors such as the U.S. or Japan. In those countries there is no by source limitation except on interest income; and excess tax credits may be carried forward or back for offset against a number of preceding or succeeding years.

The questions that we should be addressing to Treasury Ministers are: when are they going to redress this competitive imbalance; have they considered *the impact of such legislation* in terms of the cost to Treasury; have they considered the "knock on" effect in terms of increased remittances to the UK that permitting the mixing of overseas tax rates within the UK would have; and have they considered the beneficial effects that removing the incentives to use offshore holding companies would have, e.g., effectively removing the 5 per cent withholding tax paid to overseas Governments?

My suggestion to the Treasury is that instead of taking a negative approach, i.e., a big stick to beat the profits into the UK why not try the carrot approach, i.e., actively encourage the repatriation by removing some of the antiquated restrictions on double taxation relief.

Carl Stitt,
26, The Avenue,
Hatch End, Middx.

Asymmetry at the Treasury

From the Director of Operations Job Ownership

Sir—Not for the first time Samuel Brittan (June 21) has drawn our attention to the potential trade-off between employee ownership on the one hand and a readiness to settle for changes in wage rates more compatible with high employment totals on the other. As he put it, "The social counterpart to a freeze, or any other policy designed to shift income shares from labour to capital, should be a much more widespread distribution of capital so that workers could gain as *rentiers* what they lost as wage earners."

Given the force of this logic it is depressing that the Treasury continues to resist even small changes in tax arrangements which would remove tiresome little obstacles which make it harder for employee ownership, where it already exists, to be long lasting. The latest example of this came in the standing committee of the Finance Bill only last month, Mr Peter Rees peremptorily turned down a modest proposal which came, not from some wild anarchist elected in the Celtic fringes, but from a senior backbencher on his own side, Sir William Clark. Sir William suggested that it might be reasonable to lift the present 12 month restriction on the interest relief which is available to employees in employee controlled companies who borrow money to buy shares in them. Yet unless this restriction is removed it must be more likely than not that the existing employee ownership arrangements at the National Freight Consortium (NFC) will prove to be only temporary. And in the meantime the consortium is being asked to live with two distinct classes (or nations) of employees: those who bought shares at the beginning and thus can qualify for tax relief, and all the rest.

It is possible that this particular issue will resurface when the Finance Bill comes to report stage early in July. It is also possible that two small new clauses, similarly designed to remove almost mindless impediments to employee ownership, will be called for debate in the final sessions of the Bill's committee stage next week. But despite eloquent avowals by both the present Chancellor and his predecessor of the commitment to employee ownership, all past evidence suggests that when we move from generalities to modest specifics the Treasury's response will be "no dice."

To be fair parts of the relevant existing legislation (those which deal with profit sharing and employee share ownership schemes for example) were not designed to cater for more or less full blooded cases of employee ownership, as at National Freight. On the other hand the Government has not so far given the least sign of any willingness to embark on a major initiative in this field.

A truly radical Chancellor would instruct the Treasury to have second thoughts about Sir William Clark's proposal and to look with sympathy at the two new clauses which are being tabled in the Finance Committee. But he would do more than that. Following the precedent of the Bullock inquiry into industrial democracy in the 1970s, but with the prospect of a very much more positive outcome, he would initiate a full scale inquiry into employee ownership. As it is, the man on the Clapham omnibus can only feel sceptical about the Government's proclaimed commitment to a company owning democracy. And he is bound to be struck by a notable asymetry: between the generous attitude which the Treasury adopts towards share option schemes for management and its wretchedly cheeseparing response to even the most modest proposals to facilitate ownership on the shop floor.

Robert Oakeshott.
9, Poland Street, W1.

Investment in papermaking

From the Chairman and Managing Director, Wiggins Teape Group

Sir,—I was intrigued by the item in Men and Matters (June 20) on Thomas Tait, the Scottish papermaker.

While admiring his courage, and that of his financial backers, for investment on such a massive scale relative to his present activity, one seriously wonders whether equivalent resources have been devoted to evaluation of the market. Mr Tait may well spend: "... much of his time in the works." but that is likely to be the least of his problems.

Welcome though the prospects of job-creation may be in Scotland, increasing a business's turnover nearly four-fold to some £100m per annum in one step, imposes correspondingly severe strains on all aspects of management. The resource provided here for our growing businesses is not ill-conceived.

P. G. M. Best.
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Basingstoke, Hants.

FINANCIAL TIMES
Wednesday July 4 1984

DEPOSITORS STILL WARY DESPITE $7.5BN SUPPORT FOR CHICAGO BANK

Fears for Continental Illinois

BY WILLIAM HALL IN NEW YORK

U.S. BANK regulators are worried that the $7.5bn rescue package for Continental Illinois, the troubled Chicago bank, has not been enough to restore confidence among the bank's big depositors.

Seven weeks after the rescue package was put in place to stem a multi-billion dollar run on Continental's $28.3bn of deposits, Continental is still drawing down more than $4bn a day of overnight money from the $5.5bn commercial bank safety net, and borrowing another $2bn-plus from the Federal Reserve Bank of Chicago, the bank's lender of last resort.

Bank regulators say Continental's funding position has been stable for several weeks, but it is clear that the bank, which also has use of $2bn temporary capital injection, has not been able to fund its entire deposit needs independently.

Bankers close to the situation say they are prepared to lend Continental money overnight, but are reluctant to enter into longer-term deposit commitments because regulators have not disclosed how long they will guarantee Continental's depositors. They say the regulators have only themselves to blame for Continental's inability to stand on its own feet again.

Continental Illinois has been toppled from its position as Chicago's biggest bank by First Chicago, its arch rival, following a decision to shrink its balance sheet sharply. From a peak of $48.6bn two years ago, its balance sheet had already been reduced to $41.5bn at the end of March. Following the mid-May run on its deposits, another $5bn of assets have been shed, taking the group down to about $37bn.

Bank regulators believe Continental Illinois will have to be reduced in size to a $20bn to $25bn institution if a long-term solution to its problems is to be found.

Bank regulators have made no firm decision about Continental's future – although reports of various plans have been circulating in the U.S. banking industry – and regulators stress that they are still hoping to have an effective solution in place by the end of the month.

Initially it was thought Continental would be forced into a merger with another U.S. bank which would shoulder all Continental's problems and allow the regulators to withdraw. This option is looking increasingly unlikely, and although the Federal Deposit Insurance Corporation (FDIC) has still refused to say whether it would commit long-term support to help solve Continental's financial problems, bankers say it is hard to see how a solution can be crafted without a long-term FDIC commitment.

In addition potential U.S. partners have been frightened off by adverse stock market reaction. It is looking increasingly as if Continental will be forced to survive as a much slimmed down independent regional bank supported by the U.S. authorities.

Flick sells special steels unit

By Our Financial Staff

FLICK, the prominent West German industrial group which is understood to face a heavy bill for back taxes, is to float off part of its empire via the stock market.

The group, one of Germany's largest family-owned businesses, with interests ranging from paper-making and chemicals to armaments, is to sell its special steels maker, Edelstahlwerke Buderus.

Plans for the underwriting of Edelstahlwerke's withdrawal from Flick by Berliner Handels und Frankfurter Bank (BHF Bank) were announced yesterday. Edelstahlwerke's capital has a nominal value of DM 32.5m ($11.7m).

The bank is to acquire the steel group from Flick and place part of the capital on the stock market. BHF Bank said it was on the lookout for potential shareholders and had no long-term intention of maintaining a stake.

Flick has in recent years been linked with possible business disposals, notably at the end of 1982, when rumours of the sale of its remaining 10 per cent shareholding in Daimler-Benz momentarily gripped the Frankfurt stock market.

It faces a possible bill of around DM 450m for back taxes after a year-long internal investigation by the Economics Ministry in Bonn.

The back claim results from an earlier tax waiver granted to Flick after the sale by the group of a 29 per cent stake in Daimler-Benz. Undertaken in 1975, this sale realised around DM 1.9bn.

Subsequent claims and investigations by the German authorities unravelled a tax scandal that has become known as the "Flick affair."

The most notable casualty of the affair has been the former Economics Minister, Count Otto Lambsdorff. Count Lambsdorff resigned last week and has been formally committed for trial to answer charges of corruption.

In its statement yesterday, Flick was at pains to emphasise the financial vigour of its steelmaking arm. Edelstahlwerke has "never been in the red," it declared.

W. German banking and finance survey, Section IV

Soviet Union 'sceptical' of U.S. pledge on space arms talks

BY DAVID BUCHAN AND PATRICK COCKBURN IN MOSCOW

SIR GEOFFREY HOWE, the British Foreign Secretary, yesterday delivered in person to the top Soviet leaders a White House assurance that the U.S. would negotiate on outer space weapons with "no preconditions."

But Sir Geoffrey said he found the reaction of President Konstantin Chernenko, whom he met for over an hour in the Kremlin, and Mr Andrei Gromyko, the Soviet Foreign Minister to be "sceptical" about the new American assurance.

Giving a toughly worded press conference after his two days of talks in Moscow, the Foreign Secretary said it would be "very strange" if the Soviet initiative of June 29 to start space weapons negotiations with the U.S. in September in Vienna "were to be frustrated by a misunderstanding which the Soviet Union did not want to clear up."

Sir Geoffrey urged the Soviet leaders to return to discussions with Washington on possible negotiations about anti-satellite and anti-missile weapons, which U.S. officials here say had been proceeding in private for several weeks before being jolted by the public Soviet initiative last Friday.

The long-planned trip by the British Foreign Secretary was suddenly upstaged and overshadowed by the space weapons negotiation issue, with Sir Geoffrey arriving on Sunday night in virtual ignorance about the confused nature of Soviet and American reactions and counter-reactions. Believing he could usefully act as an impromptu broker in the superpower dispute, Sir Geoffrey said yesterday that "after checking with the White House, I was able to state authoritatively to the Soviet leaders that there are no American preconditions" to possible space weapon talks.

The U.S. had initially suggested that any discussion of space weapons would have to encompass the issue of long and medium-range missiles, the subject of the Start and intermediate nuclear force (INF) talks which the Soviet Union left last year. The oft-stated Soviet position is that Moscow will not return to Start and INF until the U.S. removes the cruise and Pershings in Western Europe.

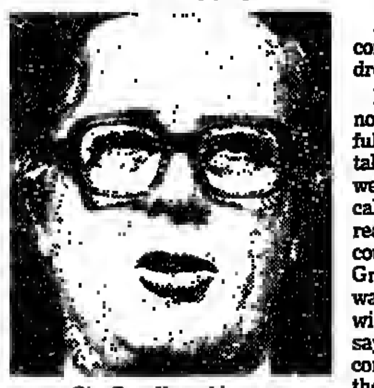
Sir Geoffrey now appears to have confirmed that the U.S. has dropped its original suggestion.

British and Soviet officials pronounced the two days of talks useful, with some common ground established. But disagreement outweighed agreement. Sir Geoffrey called his visit a first step towards a realistic dialogue between the two countries. His invitation to Mr Gromyko to visit London, however, was scarcely taken up with alacrity, with the Soviet Foreign Minister saying that he would first have to consult his Politburo colleagues although it would "probably be accepted in principle." There was no suggestion that Mrs Margaret Thatcher, the UK Prime Minister might come to Moscow, on an official visit.

Sir Geoffrey said the Soviet Government gave the impression that on the space weapon issue it did not want "to take yes for an answer." In general it was "more interested in pillorying certain Western governments than exploring their views."

Questioned by a Soviet journalist on the British view on the delay in nuclear test ban negotiations caused by American concerns about verification, Sir Geoffrey replied that verification was difficult when dealing with "a secretive society like the Soviet Union."

U.S. officials on Moscow proposal, Page 4; 'Diplomatic abuse', Page 11


Sir Geoffrey Howe

U.S. gains access to Cayman secret documents

By Robert Graham in London

THE U.S. and British governments have made a significant breakthrough in combating money-laundering in the Caribbean by agreeing to allow Washington access to confidential documents and evidence in the Cayman Islands, a British dependency.

Although the agreement, which follows months of negotiations between senior British and American officials and the Cayman Government, is limited to the Caymans, it is expected to have an impact on other offshore financial centres in the Caribbean.

The deal responds to mounting U.S. concern over the use of offshore financial centres in the region to conceal the origin of criminal funds, mostly derived from illegal drug operations and nicknamed "narco-dollars."

The U.S. Justice Department estimates that last year more than $30bn worth of such funds was passing through these offshore centres – principally – the Bahamas, Cayman and Panama.

This is the first time that the U.S. and Britain have managed to reach an agreement on extra-territorial jurisdiction.

In London the agreement is being regarded as an important reference point by the Foreign Office for tackling the more complex and sensitive issue of U.S. extra-territorial control of exports of its technology through allies to Comecon countries.

The basis of the agreement is the establishment of a mechanism giving the U.S. access to confidential documents and evidence on a government-to-government basis. This avoids the previous contentious use of federal document subpoena, and allays Cayman fears of substantial inroads into bank secrecy which could seriously affect its vital offshore business.

Under the agreement the U.S. authorities will be able to issue a certificate to the Cayman Government requesting financial information. The Cayman Government is bound to comply with the request. Any information supplied can only be utilised by the U.S. authorities for the specific purpose of the request. Thus information handed over to the U.S. Justice Department cannot be used by the Internal Revenue Service in a general examination of confidential accounts.

The agreement is expected to be signed in London within the next month, and will be transformed into a treaty about nine months later. Until it has treaty status, it can only be enforced federally in the U.S. and not at state level.

Similar terms are expected to be extended to the four other British dependencies in the region.

The agreement is also expected to put pressure on the independent Bahamas Government to come to a similar arrangement with the U.S. In the Bahamas a commission is investigating allegations of government corruption and the handling of drug money.

The issues at stake were highlighted earlier this year by the case of the Bank of Nova Scotia's Bahamas branch which was obliged by the U.S. Supreme Court to hand over documents or risk a $25,000 per day fine.

The weak link in efforts to tighten up on laundered funds in the Caribbean is Panama. When news leaked out last year that British and U.S. officials were co-operating to clean up Cayman, substantial funds were moved out to Panama, according to well placed British and American officials.

THE LEX COLUMN

Power failure at GEC

The dollar's astonishing run has not so far put too much upward pressure on short-term sterling rates, which were showing increases of only around 1/16 yesterday. The Bank of England is helping to hold ranks although, with the trade-weighted index now well below 79, even its nerve must be tested.

GEC

Yesterday's preliminary statement from GEC looked so similar to the previous year's that the cynical may be forgiven for suspecting that this notoriously penny-pinching company simply wanted to avoid the trouble and expense of printing a new one. In practice, however, the results for the year to March represent the culmination of several years of City disenchantment with the UK's largest electrical group.

The GEC board must devoutly hope that the nadir in its fortunes is now past. There has certainly been some evidence in recent weeks that the City is taking a more charitable view of the company, and not just because of the British Aerospace negotiations. Yesterday's results, showing profits virtually unchanged at £671m pre-tax, were at the bottom end of City forecasts and yet the shares rose 4p to 194p. GEC's suggestion that it may buy in some of its own shares (at least as good an investment as Distillers in the company's view) may have drawn a few buyers, but the market is also starting to focus again on the long-term growth prospects of the core divisions.

The defence interests are still reporting rapid growth across the board and should barely be disturbed by the UK Government's shift away from cost-plus pricing. The bulk of the improvement in telecommunications results from the salvaging of A. B. Dick, which clawed back a £5m first half loss in the second six months, but GEC has by now provided almost in full for the switch away from electro-mechanical exchanges and stands to start generating real profits from System X by the end of this year.

Even in power generation, the real dud performer of 1983-84, there are reasonable grounds for optimism. The order book has fallen by less than 10 per cent over the past 12 months, while at least two major new contracts could be clinched by the end of the year.

Yet, while the group has clearly not run out of steam (profits this year could rise to £760m), GEC retains a share price multiple which may not be fully justified by organic growth. Even after the dramatic underperformance of the last two years, the shares trade on roughly 14 times reported earnings. Cash flow, meanwhile, is as strong as ever. Last year, the cash mountain rose by £200m, on top of which the company repaid £100m of term debt. In the City's view, the question of whether capital can in the short term be deployed more profitably in gilt-edged than in industrial assets has become almost academic. GEC can point to a respectable 10.6 per cent total return on centrally invested liquid resources last year. The market, however, would probably have been willing to exchange a few points of that return for the knowledge that GEC was attending to its long-term industrial future.

Vantona Viyella

The message from Vantona Viyella begins to sound almost messianic these days, with the group's recovery held to exemplify a profound upturn in the UK textiles industry after more years of decline than most people can remember. But Vantona's remarkable performance raises a basic enough question in present market terms. Yesterday's advance in interim pre-tax profits from £3.4m to £8.8m leaves the group heading resolutely for £20m or thereabouts in the year to November and sets the shares at 220, up 10p, on a p/e multiple of 6.7 – close to the textiles average. Can the shares, which have already climbed 41 per cent relative to the market in the last year, now go on to attract the kind of premium rating enjoyed by Nottingham Manufacturing?

The two clearest obstacles, aside from the obvious lack of a long enough track record, must be lingering concern about the quality of earnings in some divisions and the resilience of the balance sheet. But Vantona has pulled off quite a coup by achieving a pre-tax margin of 8.8 per cent in its woven fabrics – certainly the star of these figures – and has greatly reduced the cyclical vulnerability of its basic household textiles. The next test must lie with its garments division, where Vantona has yet to take real advantage of its leading brand names. Meanwhile, the ratio of net borrowings to shareholders' funds looks set to remain around 30 per cent, with a two-year capital expenditure plan needing £12m this year and £15m or so in 1985-86. Much will hang by the fruits of that.

Scottish & Newcastle

After two consecutive half-years sporting a 40 per cent jump in pre-tax profits, Scottish & Newcastle Breweries has reported a slower 27 per cent growth for the six months to April.

The main once and for all benefits of the group's extensive reorganisation are now clearly behind it. Still, the latest year-end figures mean S & N has brought pre-tax profits from £32.2m in 1981-82 to £55.2m in 1983-84 and regained a sense of direction.

A further benefit of this which ought with luck to prove more enduring is already evident from the success of S & N's shares have been rerated broadly into line with the other national brewers and the group at last has the means to fund another growth phase even if this should dictate substantial diversification.

That it surely will, notwithstanding the strength of the latest beer production figures. Good regional brewers presumably remain at the top of S & N's shopping list, pace the Office of Fair Trading, but another 90 per cent jump in the group's hotel operating profits could tempt S & N further in this direction.

The latest performance looks impressive in the face of refurbishment inconveniences, while both occupancy and achieved room rates are apparently rising in the current year.

After working so hard to reposition the shares on a prospective multiple around 8½, however – assuming pre-tax profits of £65m and a 35 per cent tax rate – S & N will be in no hurry to remind the market of earlier diversification failures by moving too quickly to its next target.

French campaign for flexible jobs market

BY DAVID MARSH IN PARIS

FRANCE'S PATRONAT employers' association yesterday launched a campaign for an easing of administrative constraints on companies hiring new staff, which, it claims, could create 470,000 jobs throughout the French economy over a three-year period.

On the basis of a specially commissioned survey of 230 chairmen of large and small businesses, the Patronat believes measures to improve the flexibility of labour markets – notably by lifting companies' obligation to seek official authorisation to lay off excess workers in case of economic difficulties – would make an important contribution to cutting unemployment.

M Yvon Gattaz, the Patronat chairman, who is seeking new moves to help the corporate sector before the Government's autumn 1985 budget announcements, said he wanted the abolition of measures "which were originally introduced to protect employment – but have ended up producing the opposite effect."

Trade unions, already reeling under the impact of sharply higher redundancies this year, have already warned the Government about meeting long-standing Patronat demands for American-style free-market flexibility to hire and fire workers.

Acknowledging the sensitivity of the issue, M Gattaz said his proposed measures would affect only newly recruited workers who would otherwise be unemployed and that constraints on making redundancies among existing staff would remain unchanged.

Government officials reacted sceptically to the Patronat's call, saying the measures would split employees into first and second-class categories. The effects on employment could not be forecast with any accuracy, they said.

M Gattaz said French social security charges and constraints on dismissing staff forced some companies to turn away orders, particularly on export markets, rather than take on new employees who might prove costly to release later.

He said the Government was already "giving a demonstration of our own theory" in cutting social charges to try to boost employment in depressed industrial areas such as the Lorraine steel region.

Commenting on criticism that the Patronat wanted to dismantle long fought-for workers' rights, M Gattaz said: "Ask the people who are seeking jobs whether to create employment represents social regression."

The Patronat survey indicated that job creation would be far greater among the country's 750,000 small companies with between one and five employees than among larger groups.

Tax cuts to lift living standards

By David Housego in Paris

THE FRENCH Government is forecasting a modest increase in living standards next year in advance of the legislative elections in 1986.

Paris also predicts that a trade deficit of FFr 25bn ($2.9bn) this year will be transformed into a surplus of FFr 11bn in 1985 as exports show a strong recovery.

According to hypotheses worked out by the Ministry of Finance in preparation for next year's budget, household incomes will rise by 1.6 per cent in 1985. That follows a 0.3 per cent cut in real income last year as a result of the Government's austerity measures and a 0.2 per cent fall this year. Next year's increase is expected to stem largely from tax cuts and salary increases.

The increase in purchasing power is expected, however, to lead to a sharp increase in imports. The Government expects the volume of imports to rise by 3.1 per cent in 1985, against a 3.1 per cent decline in 1983 and a 1.6 per cent increase this year.

The Government hopes that this sharp increase, reflecting both an expansion of household consumption and of industrial investment, will be offset by an even larger rise in exports. Unless that materialises, there would be a further worsening in the trade deficit and thus of France's foreign debt.

The Government is counting on a 4.8 per cent increase in exports in 1985 after a 3.4 per cent increase this year. Next year's increase would come while the world recovery is slowing down and when, on the Finance Ministry's calculations, the French domestic market will be boosted by a 2 per cent growth in real gross national product. That is slightly higher than that of its trading partners who will enjoy 1.9 per cent growth in GNP, according to official French forecasts.

French officials base their optimism over exports on an expected pick-up in orders from developing and oil-exporting countries. That traditionally strong market has suffered badly from the recession.

If the expected swing into a trade surplus does not materialise, the Government would be forced to consider further deflationary measures to restrain internal demand.

Cheque books in China

Continued from Page 1

tives or overseas friends, they used to have to carry as much as 800 yuan or 1,000 yuan ($400 to $500) to the restaurant or hotel to pay. It was very inconvenient.

The 16 cheque account holders, whose total deposits are $4,450, were selected by the bank after responding to a newspaper item.

Tan expects there will be more than 100 accounts by the end of the year and that the practice will spread to other cities next year.

Some applicants have been discouraged by the lower interest rates (2.8 per cent per annum for cheque accounts, compared with 5.7 per cent for fixed deposit savings) and there are no overdraft facilities at the moment.

East German refugee crisis near solution

By Rupert Cornwell in Bonn

THE LATEST crisis over East Germans taking refuge in West Germany's permanent mission in East Berlin with the object of securing exit visas seems virtually over – amid suggestions in Bonn that new agreements between East and West Germany are in the offing.

By last night, all but six of the 30 East Germans remaining in the building had left to return to their homes. Last Friday, 25 of the 55 taking refuge had agreed to leave.

Meanwhile it was reported in West Germany that Bonn and East Berlin are close to a deal whereby the minimum exchange requirement of DM 25 ($9.20) a person a day for those West Germans visiting the East would be lowered. The reports also said a new West German bank credit for East Germany might be on the way, but no confirmation was available last night.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	27	81	Malaga	F	24	75	Salzburg	T	11	52
Akrotiri	S	30	86	Faro	S	25	77	Malta	S	32	90	Seoul	R	23	73
Algiers	S	27	81	Florence	F	27	81	Manila	R	28	82	Singapore	R	30	86
Amsterdam	C	14	57	Frankfurt	F	13	55	Miami	R	25	77	Stockholm	R	15	59
Athens	S	30	86	Funchal	S	21	70	Milan	S	28	82	Strasbourg	C	14	57
Bahrain	S	37	99	Geneva	F	18	64	Moscow	F	20	68	Sydney	C	10	50
Bangkok	S	33	91	Gibraltar	C	23	73	Munich	F	13	55	Taipei	D	31	88
Barcelona	C	25	79	Guernsey	S	17	63	Nairobi	F	24	75	Tangier	S	28	82
Beirut	—	—	—	Helsinki	C	15	58	Naples	S	25	77	Tehran	—	—	—
Belgrade	C	23	73	H. Kong	F	30	86	New Delhi	T	32	90	Tel Aviv	S	30	86
Berlin	C	12	54	Innsbruck	C	15	59	New York	C	23	73	Tenerife	S	27	81
Biarritz	F	[illegible]	[illegible]	Inverness	F	15	59	Nice	S	26	79	Tokyo	S	28	82
Blackpool	S	14	57	Istanbul	S	26	79	Oporto	S	20	68	Toronto	S	18	68
Bordeaux	F	22	72	Jersey	F	18	64	Oslo	F	18	64	Tunis	S	33	81
Brussels	C	13	55	Jo'burg	S	17	63	Paris	F	18	81	Valencia	C	27	81
Budapest	F	21	70	Las Palmas	S	24	75	Prague	F	13	55	Venice	C	24	75
B. Aires	C	17	63	Lima	—	—	—	Reykjavik	C	13	55	Vienna	F	18	61
Cairo	S	36	97	Lisbon	S	25	77	Rio de J'o	C	29	84	Warsaw	C	16	61
Cape Town	C	14	57	Locarno	S	24	75	Rome	S	26	79	Zurich	F	14	57
Caracas	D	28	82	London	C	17	63								
Casablanca	S	25	77	Los Angeles	C	18	64								
Copenhagen	F	16	88	Luxembourg	C	13	55								
Corfu	S	32	90	Madrid	S	28	82								
Dubai	C	10	91	Majorca	S	29	84								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

UK pit talks to restart

Continued from Page 1

possible agreement on what might constitute an "uneconomic" pit. The two sides had agreed that a pit with small reserves of coal requiring large investment to mine could close.

The two sides have quietly agreed to return to this fragile accord and attempt to build on it, although neither is optimistic about success.

The main architect for agreement to talk is Mr Stanley Orme, the Labour Party energy spokesman, whose mission to conciliate has had the quiet backing of Mr MacGregor.

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday July 4 1984

Terry Dodsworth in New York and Louise Kehoe in San Francisco examine the implications of Warner's disposal of Atari

The Warner love story that turned sour

WARNER's love affair with Atari is a fairy tale stood on its head, a saga in which riches have been turned into threadbare rags.

Only two years ago, Atari was making record profits, while its success had turned Warner into one of Wall Street's high fliers, with a net worth of just over $1.6bn. Atari's massive operating deficit since then ($529m in 1983 alone, against profits of $323m in 1982) has lopped about 40 per cent off shareholders' funds, and after the second quarter's $425m worth of pre-tax losses and disposal writeoffs, Warner's equity capital will be down to "around $600m." It is a saga true to the extravagant tradition of Silicon valley.

The details of the second quarter results have yet to emerge. But what is already clear is that this further blow to the profit and loss account is worse than anything Wall Street, which had been softened up by a flood of stories about a recovery at Atari under its new management, had expected.

Even worse, the disposal has got rid of the loss-maker only at great cost. The deal generates no cash for Warner. The company will receive only $240m worth of low-yielding paper along with share warrants of an entirely speculative nature (although they could mean 32 per cent of a recovered Atari down the line), while having to accept in return a further dilution of its own equity through 1m warrants given to the new Atari owners.

The main question prompted by the changes is whether they make Warner a more or less likely candidate for takeover. It might on the face of it have made more sense for Warner to keep Atari rather than take the hefty write-down and turn itself into a streamlined company made up of some very attractive assets (film production and its film library) and one with considerable promise – the Warner-Amex cable television business.

Some analysts believe that Atari at least served the purpose of being a positive deterrent to asset strippers, while the profits haemorrhage it had caused looked as though it would be staunched towards the end of this year by the vigorous action of Mr James Morgan, who was brought in from Philip Morris.

Wall Street's initial response to the Atari news, however, was one of caution, partly because several imponderables overhang the takeover possibilities, and partly because the other factors in the earnings mix remain extremely hard to judge. Warner's investments are in high-risk consumer entertainment areas, where the rewards can be lavish but where the paying public can deliver some hard knocks to those companies which get the market wrong.


Jack Tramiel


Steven J. Ross


James J. Morgan

On the earnings count, Warner seems to have hit a good winning streak in its film division, with the success this year of Greystoke, the legend of Tarzan, and Police Academy, a slightly risque comedy which has gone down big with U.S. audiences. The record business has also been stimulated by the consumer boom, and the losses in the cable business have probably been reduced by taking the axe to overheads, although some heavy capital expenditure still lies ahead.

Despite this brighter outlook, however, Warner could be left with some precarious book-keeping to keep the company really healthily in the black over the rest of the year. Wall Street's earnings forecasts range widely either side of $1 a share this year (against $3.65 two years ago), but the first quarter results show how fragile its profits are.

The group only remained in net profit during that period by virtue of the sale of its cosmetics division, which turned in a $68m extraordinary gain. At the same time, although Atari's operating loss had been reduced to $35m, overheads, and in particular interest payments of $41m, virtually swamped the operating profits of the rest of the group.

Warner says that the non-Atari divisions – films, music and consumer products (mainly books) – are now performing better, so their trading profits should be heading well over the $65m of the first quarter. Some of the general overhead costs will have also come down because of extensive trimming, but interest payments on the group's $973m of borrowings will still remain high. In its haste to get rid of Atari, Warner has retained the debt associated with it, and this burden will only be partly moderated by the interest payments on Atari's $240m debenture issue to Warner at very much under current market rates.

For investors, there is also the irritant of a potential further 1.4 per cent dilution of equity from the issue of 1m warrants to Atari, convertible at $22, roughly the present market price. And with 72m shares already issued on a fully diluted basis, shareholders are also faced with the fact that it needs a big swing in profits to make much impact on per share earnings.

Shareholders have had an exciting ride in the last couple of years, as the price of their stock has plummeted from a heady $63½ to $20 at the low point in 1983, before rising again this year to almost $30 on the possibility of a bid from Mr Rupert Murdoch – a rise which was subsequently hit on the head when the group splashed out $172m of shareholders' money to buy off the Australian publisher and greenmailer.

In assessing the changes of a further offer for the streamlined Warner group without Atari, they also have to take into account the fact that during this roller-coaster ride, Warner has picked up an important passenger.

Chris-Craft, the West coast entertainment and television group brought in to help ward off Mr Murdoch, now has a 26 per cent stake in Warner which it has said it will raise to 29 per cent. If not yet in command, Wall Street sees Chris-Craft's wheeler-dealing boss, Mr Herbert Siegel as a potential kingmaker. Mr Steven Ross, the infinitely resourceful Warner chairman, may have left himself with little room for manoeuvre without Chris-Craft's agreement.

Philips NV said that though it had had discussions with Warner about Atari, the talks were never aimed at a total takeover of the subsidiary, but at the possibility of some kind of co-operative link. Philips still remains open to the proposals for a link which would strengthen its position in this field, the company said.

Home computer veteran to challenge high end of market

THE "new Atari" was due to arrive on July 1. That was the date set by chairman James Morgan for the rebirth of the company that he was charged with reshaping over the past nine months by Warner Communications.

The new, leaner and more focused Atari was to have been ready to emerge again and face the challenge of "recreating the excitement of the video game" this month.

Instead, just one day later, Atari was tossed aside by parent Warner Communications. On Monday, Warner announced the sale of most of Atari's assets to a group headed by Mr Jack Tramiel, founder and former president of Commodore International, Atari's chief rival in the home computer market.

Warner exchanged Atari for debt notes totalling $240m and for warrants to buy 32 per cent of the stock of Atari Corporation, as the new company will be known. In cash, Atari was estimated to be worth around $100m say industry experts.

With the sale of Atari, Warner Communications has brought to a premature end Mr Morgan's efforts to rebuild a profitable company out of the wreckage of the old Atari. Scrapped also are his ideas of introducing a new corporate culture to a company that had grown too fast to develop such niceties and collapsed so quickly that it was left with the extravagances of better days.

The "old Atari" had many problems. Its losses for 1983 came to a staggering $538.6m. During the first 1984 quarter Atari added another $34.9m in red ink to Warner's balance sheet.

The spectacular collapse of Atari, which at one time employed over 6,000 people in California, overshadowed its earlier success.

Acquired by Warner in 1976 for $28m, Atari's sales rose from about $25m in 1979 to $2bn in 1982 at the company's peak year when it posted operating profits of $323m.

Suddenly, however, video game sales collapsed. Atari's success had attracted several competitors who glutted the market with second-rate video games. Atari also made some serious mistakes. It overestimated the sales of its biggest success, Pac-Man, by as much as 4m cartridges and was forced to unload them at mark-down prices. Atari also paid an excessive sum to licence the "ET" name on a video game that turned out to be only a moderate success.

For Atari, the last quarter of 1982 was the beginning of the end of the video game boom. Through 1983, Atari suffered along with all of its competitions as the sales value of its products plummeted.

In the home computer business, Atari announced products, but failed to deliver them. In February of 1983, Atari laid off 3,000 workers in California and moved most of its manufacturing operations to Hong Kong and Taiwan. By mid-1983, Atari was being described as a company in trouble and its chairman, Mr Raymond E. Kassar, resigned.

Last September Warner hired Mr James Morgan from Philip Morris, the cigarette company, to take over the helm at Atari. Mr Morgan quickly showed himself to be a believer in the future of the video game business.

But Warner was not prepared to wait. Although Mr Morgan, and Warner Communications chairman Steven Ross, always declined to comment on the deadline for Atari to return to profitability, it is now apparent that Warner ran out of patience some time ago.

Now Mr Tramiel, instead of Mr Morgan, will launch "the new Atari." Atari Corp. will be a company run by people who "work hard together, work frugally and recognise that the boss is the consumer" said Mr Tramiel yesterday.

Atari's workforce, now numbering 1,500, will be cut drastically again over the next 30 days according to sources close to Mr Tramiel. "He will cut out the fat, introduce his "no frills" style and convert the executive dining room into a warehouse," predicted a long-term associate of Mr Tramiel.

Since he abruptly resigned as president of Commodore in January – apparently following a row with Commodore chairman Irving Gould – Mr Tramiel has stated his goal of competing in the high end of the home computer market, where Apple Computer is currently the leader.

Initially, Mr Tramiel will take on the exisiting Atari product line, former colleagues suggest. Over the next few months, however, Mr Tramiel is expected to launch products that compete directly with Apple's IIC and Macintosh products.

"One thing that Jack (Tramiel) will bring to the marketplace is a level of excitement that has been missing since the withdrawal of several major competitors," said a Commodore official.

Commodore, however, does not expect Mr Tramiel to compete with his former company. "He has no advantage over Commodore," said a spokesman. Commodore makes most of its own components and parts for home computers, giving the company a cost advantage over competitors, he pointed out.

AT&T and Olivetti in software venture

By Geoffrey Charlish in London

AMERICAN Telephone & Telegraph (AT&T) and Olivetti have formed a joint company to promote European sales of the AT&T-developed computer operating software called Unix.

The company, Unix Europe, is the first to be formally set up under the recent co-operative agreements between AT&T and Olivetti.

Its is headed by 41 year-old Sig Vanni Papi, who comes from Digital Equipment Company (DEC).

According to Sig Elserino Piol, executive vice-president of Olivetti, a principal aim is to "promote Unix in Europe as the market standard in the software field." He believes the growing use of Unix, which can be used on any make of computer, could have the effect of altering the relative positions of strength of the computer majors in Europe, because users need no longer be locked into a particular maker's hardware.

CSX second quarter profit almost doubled

By William Hall in New York

CSX, the major U.S. transport group, has nearly doubled its second quarter net income to $145.5m on the back of a 60 per cent jump in revenue to $1.94bn.

CSX, the first major company to report its earnings for the three months to end of June, attributed the sharp jump in profits to "the strength of the domestic economy, the acquisition of Texas Gas Resources, and a surge in domestic coal shipments to electric utilities."

Reflecting the strength of the economy, general merchandise traffic on CSX's railways – Chessie System and Seaboard System – rose 6 per cent in the second quarter. The volume of metal and intermodal traffic rose 18 per cent and motor industry traffic was up 13 per cent.

INTL. COMPANIES & FINANCE

Touche Ross dismissed by BMF

BY DAVID DODWELL IN HONG KONG

BUMIPUTRA MALAYSIA *Finance* (BMF), the Hong Kong-based subsidiary of Bank Bumiputra Malaysia, has dismissed its auditors, Touche Ross, after taking exception to the qualification of its 1983 accounts.

In a nine-page rebuttal of Touche Ross' seven-point qualification, Datuk Mushir Ariff, the BMF chairman, accused the accountancy group of "casting a complete pall over the integrity of all the companies' books of account," and of imputing misconduct on the part of the company.

BMF was one of the biggest lenders to the Carrian and Eda groups, which are both now in liquidation. Senior executives *in Carrian have been charged* with conspiracy to defraud company shareholders. Charged with them are a partner and a senior employee of Price Waterhouse, Carrian's auditors, and a solicitor in Deacons — Hong Kong's leading legal firm which acted as Carrian's legal advisor.

In its qualifying report, Touche Ross noted:

● "In a small number of cases prior to the appointment of the board not all aspects of significant transactions were *reflected in the company's books* and records":

● That it had been "unable to obtain the further independent confirmation of the accuracy of the accounting records which we required for the purpose of an audit":

● "We believe the company was in breach, for at least the last four days of December, of *the provision* of Section 24A of the Deposit-Taking Companies Ordinance." This section calls for deposit-taking companies in Hong Kong to maintain minimum holdings of specific liquid assets free from encumbrance";

● That there had been "certain late *adjustments*" to BMF's accounts, which had the effect of reducing reported net assets by about HK$510m (US$65m);

● *That financial support from* Bank Bumiputra in Malaysia "was likely to be required" to enable the company to continue *as a going concern and* that no evidence of such financial support had been obtained.

Because of these concerns, Touche *Ross concluded that* proper books of accounts had not been kept for the year, and said it could not form an opinion as to whether the accounts gave "a true and fair view of the state of affairs of the company."

BMF's report and accounts showed a group loss before tax for 1983 of HK$7.68m, compared with a HK$3.08m loss in 1982. Most strikingly, however, the group showed short-term lendings and deposits down from HK$2.7bn to HK$44m, with its current portion of loans down from HK$2.26bn to just HK$35.6m. As a result current assets at the end of 1983 were a mere HK$102m, compared with HK$5.1bn at the end of 1982.

In his response to Touche Ross's report, Datuk Mushir Ariff said the imputation of misconduct was something the board of BMF "could not accept."

Taking the auditors points one by one, he conceded that three cases of inaccuracy had been discovered in the 1983 accounts, but that these had been rectified immediately and reported to the auditors.

He complained that the auditors insistence on "independent confirmations" was "unrealistic," since the companies concerned were in liquidation or receivership. Investigations by receivers or liquidators had not been completed he said.

On the alleged breach of the deposit taking companies ordnance, Datuk Mushir insisted that BMF had consulted Hong Kong's Commissioner of Deposit *Taking* Companies, who had confirmed that "in his opinion, the requirements of the law have been met."

The BMF chairman admitted that adjustments had been made tothe accounts late in the year, but insisted that these had been made in accordance with accounting practices in Hong Kong. He claimed that BMF "should be able to continue without outside assistance." and tha in any case its parent in Malaysia had provided guarantees to cover its financial obligations.

Datuk Mushir *concluded that* BMF had "at all times . . . given the auditors full co-operation and access to all *documents.* They have had ample time to consider the evidence available, yet they have preferred to entertain *their own* duobts."

Mr Peter Woog, a partner of Touche Ross in Hong Kong, yesterday refused to say more than tha*this company stood* by its report: "Nothing in the chairman's rebuttal has *made* us change our views," he said.

Datuk Mushir says that Hughes and Co, another prominent firm of Hong Kong accountants, were in the process of being appointed BMF's new auditors.

Mitsubishi Electric group ahead

BY ROBERT COTTRELL IN TOKYO

MITSUBISHI ELECTRIC Corporation, Japan's third largest electrical machinery maker, has reported group net profits of Y38.87bn ($160m) for the year to March, up 11 per cent from the Y35.02bn reported for the previous year. Earnings per share advanced from Y22.18 to Y24.25. Sales rose by 12 per cent to Y1,741bn, from Y1,558bn.

The sharpest sales gain came from the group's electronic products and systems division, which increased turnover by 19 per cent to Y671.5bn. Sales of heavy machinery rose 11 per cent to Y386.8bn. Sales of consumer products, including video tape recorders by 8 per cent to Y411.5bn, and industrial product sales by just 2 per cent to Y268.9bn.

The company says exports accounted for 27 per cent of group sales, or Y469.4bn, a 28 per cent rise on the Y367.3bn for 1982-83.

The company expects consolidated net income to rise by 15.8 per cent to Y45bn in the current year and sales by 12 per cent to Y1,950bn.

Mitsubishi said brisk sales of electronic products both at home and abroad would continue to contribute to improved results.

As previously reported, Mitsubishi Electric's parent company net profits rose 13.2 per cent to Y28.39bn or Y17.62 a share, as sales rose 14 per cent to Y1,588bn and pre-tax profits rose 10.2 per cent Y55.52bn.

The company is a leading defence electronics concern. It has six consolidated overseas subsidiaries an da technical tie-up with Westingbouse Elecertic of the U.S.

Earlier this year it won, after a battle with GEC of the UK, a $56m contract to supply power systems for Singapore's mass rapid transit system. In May the company set up a joint-venture with the U.S.-subsidiary of Plessey for the sale of celluar mobile radio phone systems.

At the end of June the company announced plans to boost production of its microcomputing units (MCUs) and microprocessing units (MPUs) to 10m chips a month by the end of this year.

Production of MCUs and MPUs, used mainly for electrical home appliances, was only 1m chips a month in February 1983, but the company plans to reach 6m a month by the end of August.

NZ merger for Cerebos

By Chris Sherwell in Singapore

CEREBOS PACIFIC, the Singapore-based Asian arm of RHM of the UK, is to merge its New Zealand interests with Gregg's of Dunedin to form a new food and drinks company.

The new company, Cerebos Gregg's, will bring together Cerebos's manufacturing activities for the grocery trade—covering fruit drinks, sauces, pickles, and salt—and Gregg's complementary businesses in desserts, cordials, flavourings, spices, and fruits.

Cerebos Greggs' will make takeover offers of NZ$9.4m for the shares of Cerebos (New Zealand) and NZ$17.4m for Gregg's shares. Cerebos Pacific will acquire just over 50 per cent through a new intermediate holding company, Cerebos Pacific Holdings (NZ).

New Arab accounting body formed

BY BARRY RILEY

THE Kuwait-based accountant, Mr Talal Abu-Ghazaleh is pressing rapidly ahead with his plans to establish a new professional body for accountants in the Arab world despite opposition from other factions within the Arab accounting profession.

The council of the newly formed Arab Society of Certified Accountants (ASCA) is meeting in Paris this week to consider various developments including the establishment of a London centre and the setting up of an examination programme in co-operation with the Association of Certified Accountants, the second largest of the British accountancy bodies.

In addition, the ASCA will be seeking to increase the number of members of its ruling council from 10 to 15, with the aim of broadening its representative base throughout the Arab world.

Mr Abu-Ghazaleh has been elected as founder president for a five-year term. He explains his determination to build the association in terms of "a duty to contribute to building national institutions which would serve the economies of our part of the world."

He claims that the ASCA has attracted a large following in its initial phase, ahead of the July 12 deadline under a "grandfather" clause granting membership without examination to established practitioners. These include accountants with an American CPA qualification.

Beyond that date candidates will be required to pass examinations unless they have a recognised qualification from a British institute. Recently applications for student membership and under the grandfather clause have been running at around 50 per day.

This is the third major attempt to set up an Arab accounting body. Previous ventures have run into serious political and professional problems.

The Beirut-based Middle East Society of Accountants was evacuated to Cyprus and appears to have become largely inactive. A second body, the Federation of Arab Accountants and Auditors, was founded in Cairo under the auspices of the Arab League, but for political reasons was transferred to Baghdad.

The Federation is still operative as a representative body, but has made only slow progress towards setting up its own institute to regulate professional qualifications and standards. In frustration at the delays, Talal Abu-Ghazaleh and his associates have accepted the help of the British ACCA in establishing the new society.

As the head of one of the biggest Middle East accountancy practices, bearing his own name, Mr Abu-Ghazaleh has been in a strong position to get the new body off to a flying start.

But his activities have produced an angry response from at least some members of the Federation. There appears to have been an attempt to have Mr Abu-Ghazaleh's membership of the Federation suspended or revoked at a meeting in Baghdad at the end of May.

Talal Abu-Ghazaleh himself says that he resigned on June 16 "to devote my full time to the Society." He regrets the

Talal Abu-Ghazaleh

Federation's "emotional campaigning" and argues that it would be better for the two organisations to compete in healthy rivalry rather than become involved in a feud.

But he sees some good coming out of the dispute. "This publicity has done us a lot of good," he says. "It's healthy controversy."

The development of the ASCA dates back to a tour of the Gulf region undertaken early in 1983 by Professor John Small, of Heriot-Watt University, who was then in his year of Presidency of the ACCA. The ACCA has a policy of encouraging the development of indigenous societies in various parts of the world.

"It's a great pity that to date in the Middle East no significant body of accountants has emerged," says Prof Small. "I believe that with the Arab society this is now a possibility. Anything that can enhance the status and standards of accountancy in that part of the world is to be commended." Prof Small has accepted the post of Honorary Adviser to the ASCA. Talal Abu-Ghazaleh explains that the link with the ACCA is attractive because it "would help us to tailor the highest international professional standards and examination standards to the needs and peculiarities of our part of the world."

He thinks that bodies like the Middle East Society have wasted time and effort in trying to develop their own examinations from scratch. The ASCA will draw on the examination resources of the ACCA, with the addition of special examination papers in commercial law and taxation tailored to Arab practices.

"We cannot establish recognition for our qualifications overnight," he says. "This way our members will have a qualification which will be internationally recognised."

He points out that the ASCA is purely an educational institution, and does not seek to represent the profession as such, or to be a licensing body. It is not in competition with the syndicates of accountants in various Arab countries, which are grouped together in the Federation.

However, it would appear that the Federation views the ASCA as an attempt to sabotage its efforts to form an institute. And Mr Abu-Ghazaleh is personally a controversial figure in the Arab profession, having split in 1972 from the major Beirut-backed firm of Saba and Co. The circumstances in which he took large numbers of clients away from Saba have led to lengthy recriminations.

Today the managing partner of Saba and Company, Mr Suhail Saba, remains an implacable opponent. "Our stand as a firm is that I don't think that in the present environment we need one more splinter society," he says. "It will only fragment the profession rather than consolidate it."

He adds: "We do not believe that some of the people involved are capable of exercising a leadership role in the profession."

Saba is part of the Touche Ross international grouping, but some of the other big international firms have lent support to the ASCA. Its council includes partners in Arthur Andersen and Grant Thornton International, and representatives of Deloitte, Haskins and Sells and Klynveld Main Goerdeler are also involved.

The key international firm in the Arab world, however, is Ernst and Whinney which has blown hot and cold on the subject of the ASCA. Four partners attended an early planning meeting last year. But then the firm appears to have had a change of heart.

In a formal statement issued to the FT from its Dubai office, Ernst and Whinney said: "The firm is not against the principle of an Arab society of certified accountants, but felt that adequate consultation had not taken place prior to its formation. We feel completely justified in this view as the Federation of Arab Accountants has denounced the formation of the society and suspended the membership of Mr Talal Abu-Ghazaleh."

In fact membership of the ASCA is on a purely individual basis so the suport of the big firms is not crucial though their views are obviously influential. Some of the others among the international "Big Nine" appear to be undecided.

Talal Abu-Ghazaleh *accepts* that Ernst and Whinney ("which contributed greatly to the development of standards in *this* part *of* the world") may wish to wait and see how the new society works out. But he adds: "I think that as a firm that oper*ates in this part of the* world it is in their interest not to be left out from an Arab body."

As for Saba, he suggests that, whatever the attitude of the firm's top management, many individual members of the firm have expressed an interest in joining the ASCA. "Our door is open, I have open arms for anybody from Saba," he says.

Certainly he is unrepentant about founding the ASCA. "We should have had this society a long time ago," he says. By October, when the society has processed the applications, he expects to have two to three hundred full *members* and "thousands" of applications for studentship.

Already he has succeeded in obtaining formal recognition from several Arab countries, including Jordan, of the ASCA as a professional and examining body.

With a network of branch offices throughout the Arab world and elsewhere, Telal Abu-Ghazaleh is putting considerable personal and financial resources behind the ASCA. At the same time, he admits he is concerned that *the society* should not be too closely identified with him personally.

He was not originally very keen *to become the society's* first president. "I did not want myself to become a question or controversy when the society was in operation," he says. However, the other founders insisted that he take on the role.

He told the last council meeting in Amman in May that he would prefer not to serve the full five-year term as president, partly because the process of establishment the society was going much faster than anticipated.

However, the ASCA remains very dependent for the time being on Mr Abu-Ghazaleh's personal drive and network of international contacts. The next few months will show how seriously its development may be affected by the jealousies arising from divisions within the Arab accounting profession.

Fiat plans to boost capital spending

BY OUR ROME CORRESPONDENT

CAPITAL EXPENDITURE by Fiat totalled L1,453bn ($846m) last year, against L1,316bn in 1982, and even greater investment is planned by the Italian group over the next three years.

Sig Giovanni Agnelli, Fiat's chairman, underlined this considerable investment at the annual meeting yesterday. Compared with an overall decline of 12 per cent in industrial investment in Italy, the Fiat group increased its spending by 10 per cent in real terms.

According to Sig Agnelli, "massive investments have allowed Fiat to strengthen its industrial structure and to improve profitability."

Italy's largest private sector company plans to invest L8,000bn during the three years 1984 to 1986. Senior officials say that about three-quarters of this sum is destined for fixed assets, while the remaining L2,000bn will be spent on research and development.

Sig Agnelli said that the car division will continue to be the central pillar of the company. This division leads the demand for investment. About two-thirds of expenditure on fixed asset investment is planned for the car division, which should also absorb more than one-half of investments in research and development.

New production technology will be a major area of expenditure. Fiat expects to spend 20 per cent of its planned investment on automation programmes. About 10 per cent of investments will go to Comau, the Fiat group's production systems company.

Sig Agnelli pointed to the significant opportunities offered by the telecommunications sector. He admitted, however, that the Fiat subsidiary, Telettra, which operates in this sector, is too small to achieve a satisfactory long-term position on its own.

Fiat is currently discussing possibilities of collaboration with STET, the state-controlled telecommunications group. Sig Agnelli said that the talks between the two groups were "delicate, complicated and difficult." As yet, no decisions have been taken, although company officials say that concrete results of the discussions may be reached after the summer.

The shareholders' meeting approved the six-fold increase of share capital to almost L2,025bn, which was proposed by the board. The fresh money, amounting to L675bn, which will be generated by this operation, will help to fund the Fiat group's investment programme.

On the basis of five months' figures, the Fiat group expects turnover to be up 12 to 13 per cent in 1984 and, after doubling profits in 1983, it expects to improve results substantially again this year. Better news is expected from South America, where the Brazilian subsidiary, which will commence sales of the Uno car in August, is expected to break even.

Billerud buys stake in German group

By Kevin Done in Stockholm

BILLERUD, the Swedish forest products group, is expanding its foreign interests with the purchase of a 25 per cent stake in a leading West German packaging company.

It is buying the holding in Bischof und Klein Verpackungswerke, a packaging group with 1,800 employees.

Bischof und Klein has four factories in West Germany for the production of paper and plastic packagings, and holds stakes in other packaging companies in Belgium and the UK.

Billerud is one of Europe's biggest producers of packaging materials and is the world's largest exporter of sack paper. Last year it had sales of Skr 4.7bn ($573.9m) and profits after financial items of SKr 616m.

Billerud claimed the acquisition would strengthen its position in particular in the European market

It currently has 2,000 foreign employees in majority-held subsidiaries in Portugal, the UK and Austria. Further minority stakes are held in pulp and packaging companies in West Germany, Brazil, Malta and Belgium.

Strike hits Daimler-Benz sales

BY OUR FINANCIAL STAFF

DAIMLER-BENZ, the West German motor group, may have lost close to 10 per cent of sales as a result of the prolonged metal workers strike.

The company, one of the first to spell out the impact of the recent strike, said yesterday that full production has now been resumed at all works.

It lost more than DM 3bn ($1.08bn) in sales as a result of the strike and as a result will miss its turnover targets. For 1983, Daimler turned in sales of DM 40bn and made net profits of DM 988m.

The strike prevented the production of 64,200 cars and 16,700 heavy commercial vehicles. Daimler could not give any indication of the impact on profits.

● Dynamit Nobel, the West and explosives maker which is part of the Flick industrial group, expects to pay dividend for 1984 out of improved profits.

Presenting the annual report for 1983, Herr Hans Grosch, the chairman, said yesterday that sales rose 2 per cent to DM 2.8bn from DM 2.8bn in 1982. Net operating earnings improved to DM 150m from DM 110m, a performance which slightly exceeded the results of 1979 when a good portion of earnings was transferred to the parent company.

In accord with Flick, 1983 earnings would be used to strengthen Dynamit Nobel and help finance the expansion of foreign activities. Beginning with 1984 it would be possible to resume normal dividend payments to the Flick parent company.

Group sales in the first half of 1984 surged 15 per cent to DM 1.6bn from DM 1.4bn in the corresponding 1983 period. Group earnings for the half year improved further, said Herr Grosch.

Normed suffers increased loss

BY DAVID MARSH IN PARIS

FRANCE'S NORMED shipbuilding group, in which the Empain-Schneider industrial conglomerate has a major stake, registered a FFr 744.2m ($87m) loss last year, above all due to serious problems at its shipyard at La Seyne

Normed—Chantiers du Nord et de la Mediterranee—was formed by a merger of shipbuilding interests in 1982 as part of the Government's moves to concentrate and support loss-ridden companies in this sector.

The loss, which compares with a deficit of FFr 126.6m for 1982, was made on heavily-reduced turnover of FFr 3.68bn compared with FFr 5.26bn.

Other important shareholders in Normed are Intra, the Lebanese group and Usinor, the state steel company. Normed has announced large-scale job cuts, aimed at cutting 3,100 over 2½ years from its present 10,660 workforce. This is a condition for continued help from the government, which has ploughed FFr 1.2bn into the company over the past two years.

A prime source of the company's problems has been penalty clauses resulting from serious delays in construction of the liner Fairsky being built at La Seyne for Sitmar, the Los Angeles-based cruise company.

Husqvarna retains the competitive spirit

BY ELAINE WILLIAMS

Perhaps best known for its sewing machines and chainsaws, Husqvarna continues its stormy love affair with motor-cycles. The company, part of the Electrolux group, made a loss on bikes last year but expects to get back to some sort of a profit for 1984, despite intense competition and the fact that its trading niche, track bikes, continues to face fluctuating demand

HUSQVARNA MOTORCYCLES was once ranked alongside such sporting greats as Britain's Triumph, AJS and Ariel. But unlike those UK motorbike makers, which represented the world's leading manufacturers of the 1930s and 1940s, the Swedish company has survived into the 1980s.

The difference is that today, all that is left of the Husqvarna motorcycle business is to sell bikes for competition—for the the very races which once were used to promote the company's full range of products.

Husqvarna Motorcycles, part of the Husqvarna group, is ultimately owned by Electrolux, the Swedish electrical goods-based company. Apart from motorcycles, Husqvarna makes chainsaws and electronically controlled sewing machines.

The first Husqvarna motorcycle was produced in 1903, following from its pedal bicycle business, which began eight years earlier. Today, in a small factory at Ödesbög in southern Sweden, about 160 workers turn out 9,000 motorbikes a year.

In 1983 sales amounted to SKr 134m ($16.4m), but it made a loss of SKr 800,000. The loss resulted from extraordinary items such as investment in three large numerically controlled machine tools made in Japan and development costs for new models. However, the company says that it will make a profit this year.

Much of its sales come from the U.S. market, where it sells 45 per cent of its output but is forever in the shadow of the Japanese.

Apart from motor-cycles produced to meet a military contract, none of the bikes are destined for road use. They are competition motor-bikes for Motocross and Enduro (endurance). These test the endurance and reliability of machines rather than their outright speed.

In these races, Husqvarna takes on the might of Japanese competition — Yamaha, Kawasaki, Suzuki, and Honda. For the Japanese, sports success is one of the best forms of advertising conventional bikes, but Husqvarna must live on its sales in the competition market alone. So winning races is important.

At one point in the 1950s, the Husqvarna group dropped out of motorcycle manufacture and concentrated on its sewing machines and chainsaws. It returned to motorbikes when it saw an opportunity to sell machines in the more specialised competition market. Even so, Husqvarna's output is tiny when compared with a world production figure of 9m motorbikes a year.

The instability that has faced the company in the past 20 years is reflected in the fact that in this period there have been 17 bosses. A new period began in 1978, when the Husqvarna group was taken over by Electrolux. It was given the freedom and some money, to shape its own destiny.

With Husqvarna, before its takeover by Electrolux, the motorcycle business accounted for about 16 per cent of turnover. Then, Husqvarna comprised three divisions: an engine division making chainsaws and lawnmowers; a sewing machine subsidiary; and a household equipment division.

Today, Husqvarna Motorcycles is part of the Electrolux industrial division, which contains diverse business lines including food service equipment, semi-industrial laundry products, refrigerators/freezers, electric motor based products, material handling and agricultural equipment. The industrial division accounted for 15.2 per cent of Electrolux's total sales last year. Husqvarna Motorcycles accounts for less than 3 per cent of the divisional SKr 4.88bn turnover.

These days, the business warrants only a part-time managing director. He is Mr Bengt Andersson, who doubles as technical director at the Electrolux chainsaw subsidiary.

Mr Andersson says that it is impossible for Husqvarna Motorcycles to be the market leader, as this involves taking risks in developing innovative products. Instead, the management has decided to try and follow the lead of the Japanese.

In off-road racing, Honda has the largest share of the market. Some estimates put annual sales at 150,000 units. Husqvarna has about 5 to 7 per cent of this world market, but in some countries, such as Sweden, the share may be more than 20 per cent.

The company is built largely on the enthusiasm of its workers, many of whom race bikes in their spare time. "All the employees in this group are very devoted to their work. They are 30 per cent more efficient than the rest of the company," Mr Andersson says.

Every year the motor-bike company brings out a new frame on which the 15 models for that year are based. Models are produced in the 125 cc, 250 cc, and 500 cc classes. The price for a bike varies from SKr 18,500 for a 125 cc motorbike to SKr 25,650 for a four-stroke 500 cc model. The basic developments are carried out by the small group, and they make the production tooling.

The manufacture of bikes is a mixture of handicraft and high technology. Three numerically controlled machines bore, polish and grind motor-cycle hubs, cylinders and crank cases. These machines were recently bought from Yamazaki in Japan. Handicraft comes in with painting frames, shrinking liners into cylinder heads, and welding to close tolerance by hand.

Within the different manufacturing areas, workers move from job to job along the production line following a bike through its assembly stages. A welder, for example, does up to 16 different jobs in this part of the process.

Not all the 2,000 components needed to make a bike are produced at Husqvarna Motorcycles. More than 65 per cent by value is bought in, mostly from other Swedish companies including Husqvarna Chainsaws, which provides several components, including the clutch and chains.

Mr Andersson comments that the motorcycle business is an ideal training ground for youngsters in clutch and engine design. The knowledge gained in this small company is useful for the chainsaw business. Electrolux's chainsaw subsidiary is the second largest maker in the world.

The motorcycle division also benefits from facilities of the larger group. For example, it is linked into Electrolux's computerised ordering system as well as to component supply.

What it cannot obtain, because of lack of funds, is a free choice of riders, to win more races. Mr Andersson says that the company has not ruled out the possibility of other Swedish companies becoming sponsors to the Husqvarna team: though at present no other company has offered support to the only Swedish bike maker.

Husqvarna Motorcycles will continue to race against the competition with or without outside help. "It is a challenge to show that it is possible to fight the Japanese even with constraints we have," says Mr Andersson.

Merkle steps up at Deutsche Bank

By Jonathan Carr in Frankfurt

DR HANS MERKLE, aged 71, has been appointed chairman of the supervisory board of Deutsche Bank, West Germany's biggest commercial bank, in succession to Herr Franz Heinrich Ulrich, who is stepping down because of ill health.

Dr Merkle has been deputy chairman of the board for many years and is the outgoing chief executive of Robert Bosch, the electricals and automotive components group.

In more than 20 years in the top job at Bosch, Dr Merkle acquired a reputation for exceptional toughness and diligence—building up the group to worldwide sales revenue of more than DM 14bn ($5bn) and over 100,000 employees.

Dr Ulrich, who will be 74 on Friday, has had a career with Deutsche Bank spanning about half a century. He became joint spokesman (co-chairman) of the executive board in 1967, spokesman in 1970 and then took over as chairman of the supervisory board in 1976.

Although stepping down as chairman, he will continue to have a place on the board.

Scandinavian Bank venture in Australia

By David Lascelles

SCANDINAVIAN BANK, the London-based consortium bank, has formed a merchant bank in Australia in partnership with local interests called Scandinavian Pacific, with offices in Melbourne and Sydney.

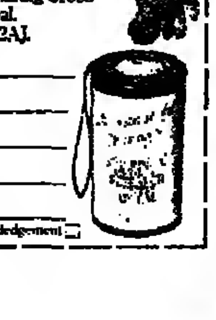
Scandinavian Bank will have 50 per cent of the venture, with 10 per cent owned by a management group and the remaining 40 per cent by Genoa, the parent company of Hartogen Energy, the major Australian energy group.

The new bank will have authorised capital of A$10m (US$8.6m) of which A$5m will be paid up initially.

Mr Garrett Bouton, chief executive and managing director of Scandinavian Bank said the new bank would finance Scandinavian trade with Australia, service Scandinavian investment and strengthen the Scandinavian Bank's presence around the Pacific rim.

U.S.-German link

Brush Wellman of the U.S. has formed a joint venture with W. C. Heraeus of West Germany called Brush-Heraeus which will develop, manufacture and market aluminium nitride, a high-performance ceramic, AP-DJ reports from Cleveland.



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Residential Property

SWITZERLAND
ATTENTION FOREIGNERS

A law further restricting the sale of properties will become effective soon in Switzerland. A limited number of quality apartments are still available in the area of Montreux, overlooking Lake Geneva and in popular mountain resorts: Villars, Verbier, Les Diablerets, Loysin and Chateau-d'Oex near Gstaad. Prices from SwFr123,000. Liberal mortgages at 6½% interest.

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INTL. COMPANIES & FINANCE

Peter Montagnon on a Latin America specialist's expansion plans

Libra Bank looks beyond debt crisis

IT TAKES a great deal of confidence for a bank specialising in Latin America to think of expanding these days, but that is just what Libra Bank, the London-based consortium is doing. Last month it opened an agency in New York to reinforce its presence in the U.S.

Founded in 1972 with eight shareholders, Libra has always concentrated on Latin America, and has come to be recognised as one of the most successful of all the consortium banks spawned by the Euromarket boom of the 1970s.

At the end of last year, its total assets had grown to £1.77bn ($2.39bn) while pre-tax profits were £31m, somewhat down on the 1982 level of £38m, but still above their 1981 total of £27.6m.

Despite debt crisis, there is no mistaking the good morale that pervades the headquarters on London Wall. While other consortium banks—and even the Latin American departments of some large international banks—reel under the onslaught of debt rescheduling, Libra still comes across as a bank with a sense of purpose and direction.

At the end of March, Libra's non-performing loans amounted to only 1.6 per cent of its total loan portfolio n a U.S. accounting basis, while the bank was relying n shareholder deposits for only $200m, or 10 per cent, of its total funding.

So what has Libra got that other banks appear to lack? Mr Thomas Gaffney, the managing director, explains some of the thinking behind Libra's business approach; and three strands become immediately apparent.

First, the bank has a clearly defined strategy for dealing with both short-term problems and its long-term future; second it believes in a rigorous control of costs and has kept staffing to a minimum; third, it has a conservative accounting policy which has helped maintain the confidence of its depositors at a time of deep trouble for many of its clients.

Its decision to open an agency in New York fits in because it is designed to set up the bank to develop its business once the debt crisis is over. "The static world we're now facing won't continue for ever," says Mr Gaffney.

In New York, Libra will be able to open letters of credit in dollars, become involved in the bankers' acceptance market and the Federal funds market and finance trade between North and South America. The emphasis is on classical, short-term, trade-related business. This can more easily be done from the U.S. than from London, which in the past has concentrated too much on large-scale balance of payments loans, he says.

Besides, official agencies are likely to play an increasing role in helping to finance Latin America, he argues. That means co-financing loans, in which commercial banks combine with the World Bank or the Inter-American Development Bank as well as the U.S. Eximbank and Commodity Credit Corporation related business, will become more important. A presence in the U.S. is a pre-requisite for any bank wanting to have a stab at this sort of business.

For the time being, however, Libra is more concerned with

Thomas Gaffney

steering a path through the maze of difficulties created by the Latin American debt crisis.

In this it was helped last year by the increase in interest margins paid by Latin American borrowers that have rescheduled their debts.

Now that Mexico is to be offered a preferential deal by its bankers incorporating a multi-year rescheduling at much lower margins, these earnings seem likely to drop, but Libra still expects to get by without much impact on its declared profits.

One reason for this is that bymost standards its accounting policies are conservative. Unlike U.S. banks, Libra does not wait until 90 days are up before declaring its loans as non-performing. "On any loans that people don't pay on the due date we reverse all the accruals. We stop accruing (interest payments as part of our earnings) and then wait until we're paid in cash."

At the end of last year Libra faced substantial arrears of interest payments both from Brazil and Argentina, and this largely explains its fall in reported pre-tax income.

Since then, Brazil has brought its interest payments up to date and Argentina has paid interest through to April 2. As a result, Libra's 1984 income has already received a boost that should help offset the impact of lower interest margins, as well as the new arrears being built up by Argentina.

Libra's loan portfolio grew by only 3 per cent in dollar terms last year, which largely reflected its participation in International Monetary Fund-Coordinated new money facilities for debtors that have rescheduled. It has very little private sector business on its books, largely because it regards the risks as being too great, and the demands made by private sector lending on its management resources as too heavy.

Private sector business means visiting more clients and carrying out separate credit analysis for borrowers who may at the end of the day require a relatively small loan.

As the growth in its loan portfolio has slowed, Libra has directed its attention much more towards trading of assets, developing a role as an intermediary in interest rate swaps and in arranging swaps for other banks between private and public sector business.

It has also moved to boost its own liquidity by trading government securities, particularly U.S. Treasury issues and British Government stocks. Holdings of government securities more than doubled to £89.4m in 1983, from £40.6m at the end of 1982. Holdings of cash were also higher, at £285.7m compared with £205.7m.

At the same time, Libra has moved to strengthen its capital base. Shareholders agreed last year to capitalise retained earnings, bringing paid-in capital to £50m from £16.3m, while total shreholders' funds rose to £129m, from £113m.

The result is a well-capitalised, liquid bank with a strong earnings record. Its operating expenses were only 20 per cent of net interest income last year, and with only 150 staff its profit per employee is higher than at many larger banks.

But like other banks with a regional specialisation, it still suffers from a concentration of risks, and Libra has a policy of not diversifying just for the sake of spreading risks. "It's not necessarily a virtue," says Mr Gaffney. "It's more intelligent to do what you know and to do it well."

Partly, however, this approach also rests on the conviction that the Latin American countries with which Libra does business will continue to servic thir dbets. Mr Gaffney believes that they will, although he concedes that they might need to be helped through some sort of IMF facility to offset the high real interest rates they now face on their foreign debt.

In the last analysis Libra could not protect itself against a general repudiation of Latin American debts, or against a unilateral decision by the borrowers to pay interest at a rate of, say, only 5 per cent. "No bank could cope with that," says Mr Gaffney.

Meanwhile there is a certain advantage to being small and flexible in today's world. When the Euromarket is providing a regular flow of new business there is less pressure to take strategic decisions about the future; it is when things start to go wrong that the real challenge begins.

That is why the debt crisis has forced Libra's management to show its mettle, and why, despite the traumas of the past two years, morale has remained intact.

LIBRA BANK	1980 £m	1981 £m	1982 £m	1983 £m
Total assets	718	1,106	1,404	1,771
Cash or equivalent and deposits with banks	179	262	292	407
Loan portfolio	510	793	1,050	1,328
Pre-tax earnings	22.8	27.6	38.3	31.1

Libra shareholders are: Chase Manhattan, Mitsubishi Bank, Royal Bank of Canada, Swiss Bank Corporation, WestLB, Banco Itau, Bancomer, Credito Italiano, Banco Espirito Santo e Comercial de Lisboa, National Westminster

UK COMPANY NEWS

Investment income fall pegs increase at GEC to £1m

A £31m FALL in net interest receivable to £141m undermined advances made in all but two of General Electric Company's eight main trading activities in 1983/84 and pegged the group's rise in taxable profits to £1m.

In the year to end-March 1984, GEC, one of the largest manufacturing businesses in the world, achieved profits of £671m, against £670m, on turnover of £5.8bn compared with £5.55bn.

Of its eight main businesses, electronic systems and components achieved the highest advance with profits ahead by some £42m to £200m.

The only two operations to show falls were power generation and, to a lesser extent, electrical equipment, which contributed £52m (£70m) and £50m (£52m) respectively.

Overall, GEC's main activities pushed profits up by £47m to £511m on turnover ahead by £257m to £5.05bn.

The group's taxable result was struck after adding in associate profits of £27m (£24m) and income receivable, less interest payable from loans, deposits and investments, including revaluation adjustments, of £141m (£172m) — includes revaluation of foreign currency holdings of £14m (£33m).

Associate company activities sold added £2m (£12m), while subsidiaries sold deducted £2m (credit £3m) and other activities and items cost £8m (£5m).

The directors are recommending a higher final dividend of 2.3p which, following the increase in the interim payment, lifts the total payout from 3p to 3.45p.

Earnings per 5p ordinary are shown as a same-again 14.2p.

Profits were subject to a virtually unchanged tax charge of £268m (£270m). Minorities took £2m more at £13m, leaving attributable profits of £390m (£389m).

Dividends will account for £95m (£82m), after which the retained profit is £295m (£307m).

Not included in the figures were extraordinary credits, including taxation provisions no longer required of £10m (nil), amounting to £19m (£4m): deferred taxation reserve released of £208m (added £22m); taxation provisions created to recognise changes in bases of assessment to corporation tax of £173m (nil), and exchange differences on translation of overseas net assets of £5m (credit £77m).

A territorial analysis of GEC's main businesses shows that in the UK turnover rose from £2.28bn to £2.44bn.

Elsewhere, the rest of Europe had turnover of £500m (£485m); the Americas £967m (£887m); Australasia £247m (£245m); Asia £594m (£567m) and Africa £306m (£350m).

At the interim stage GEC reported profits of £285m (£291m) on turnover of £2.22bn (£2.12bn).

Bank deposits, short-term investments and net balances with bankers at the year end stood at £1.52bn compared with £1.32bn a year previous.

On a current cost accounting basis the net profit after tax attributable to GEC was £310m (£284m). This was after additional depreciation of £86m (£87m); costs of sales adjustment of £26m (£35m); a nil monetary working capital adjustment (£6m), and an adjustment relating to minority interests of £2m (£3m).

See Lex

TWO-YEAR DIVISIONAL PROFITS BREAKDOWN

	Profit before tax 1983/84 (£m)	Profit before tax 1982/83 (£m)	Turnover 1983/84 (£m)	Turnover 1982/83 (£m)
Electronic systems	200	156	1,578	1,409
Telecommunications	94	87	735	735
Automation and control	53	48	448	425
Medical equipment	24	16	435	412
Power generation	52	70	623	680
Electrical equipment	50	52	754	653
Consumer products	24	20	279	264
Distribution and trading	14	13	197	214

A thoughtful Lord Weinstock, managing director, of GEC, which yesterday reported full-year figures showing underlying growth in six of its eight trading activities.

North Sea lifts IC Gas to £50m

IN REPORTING a 29.9 per cent increase in taxable profit for the year ended March 31 1984 the directors of Imperial Continental Gas Association consider that the result reflects benefits from major capital investment and rationalisation programmes undertaken over a number of years.

The most significant influence on the improved performance, which reached the £50m mark from last year's £38.5m, was a substantial rise in income from oil and gas operations. This was due mainly, they state, to the commencement last September of production from the Maureen oil field and to the expansion of interests in the North Sea.

Shareholders benefit from the improved result with the recommendation of an increased final dividend of 8.5p. This compares with 7.6p last time, and lifts the total for the year from 10.6p to 12.5p. The payout is covered by earnings which rose from 22.86p to 26.7p per share.

The profit surge was achieved on the strength of a 13.5 per cent increase in group turnover, from £480.93m to £546.04m. All the company's main divisions contributed, with the bulk coming from the Calor Group, where turnover was up by 4.5 per cent from £276.77m to £289.25m.

Other divisions also showed a rise in sales. CompAir Group pushed ahead from £182.78m to £188.07, but the strongest performance was in the oil operations group—Century Power and Light expanded sales significantly from £3.81m to £34.42m.

Turnover of IC Gas onshore operations in North America was £2.73m (£246,000) following the acquisition of Amcana Oil Corporation in April 1983.

Group trading profit emerged at £47.52m, up from £34.04m, to which the share of the profits of associated companies added £11.54m against £10.76m. Income from investments, principally from the allied Belgian companies Petrofina and Intercom, increased from £6.9m to £8.27m, largely as a result of higher dividend income from Petrofina.

Net interest payments took a larger slice at £17.33m (£13.2m), and tax absorbed £1.77m more this time at £7.85m. Minorities accounted for a further £7.51m (£2.84m) to leave attributable profit at £34.64m against £29.15m.

A sectoral analysis of the pre-tax result reveals: Calor Group £23.77m (£19.32m); CompAir Group loss £778,000 (profit £2.82m); Century Power and Light £11.45m (£1.49m); IC Gas onshore operations in North America £478,000 (£14,000).

The directors explain that the CompAir loss was due chiefly to the impact of widening recession on markets for construction equipment.

● comment

IC Gas suffered more than one anxious moment before the long-awaited start in September of production from the Maureen oil field in the North Sea. But the flow is exceeding expectations and its impact on the group's profits is illustrated by the fact that the pre-tax level to these results. This is just as well since the next new source of North Sea production revenue will almost certainly be the Audrey gas field, not due to come on stream until October 1987. Elsewhere, IC has a busy development programme and intends to bid in the Government's ninth round of allocating licences. Meanwhile, the Calor Group continues to provide IC with the cash it needs for its more exciting oil and gas activities—posting useful gains largely from productivity improvements. A big step forward here will be the underground storage caverns being prepared near Hull which will, from next year, allow the group to buy more gas at low-season prices. The Belgian utilities also generate steady income, which is more than can be said for CompAir. Acquired for £64m in 1980, this group is being cut back until its capacity is more in line with the post-recession world, particularly in mining and construction. Overall, the group should make £65m pre-tax or £44m after tax and minorities, putting the shares, up 13p to 298p, on a fair prospective p/e of about eight.

INDEX TO COMPANY HIGHLIGHTS

Willis Faber

Willis Faber is proposing to cancel its preference shares because, the company says, they no longer form a material part of the capital, and the expense involved in the maintenance of a listing gives rise to a disproportionate administrative burden.

The proposed cancellation of the 1.4m 7 per cent cumulative £1 preference shares will be by way of a scheme of arrangement. Holders will be offered 125p cash for each share and will also be entitled to the accrued dividend up to the day on which the scheme becomes effective.

The consideration represents an increase of 47 per cent over the middle market quotation on July 2.

Intasun tops £16m but warns about the current year

DESPITE a £2m jump in second half losses Intasun Leisure Group still finished the 1983/84 year with record results. However, a note of caution is given about the current year.

On the back of a near £50m improvement in turnover to £191.3m (£141.66m) the tour operator and air charter group lifted its pre-tax profits from £14.53m to £16.53m for the 12-month period to March 31.

The directors predicted in their interim statement that second half losses would rise (they deepened to £3.49m) as a result of additional costs associated with the recent expansion in the travel and airline divisions and the impact of a further seasonal imbalance introduced by Lancaster Holidays and the £1.3m acquisition of Airways Holidays.

For the current year they say it is too early to make a firm forecast. While there is some increase in volumes it is evident the group warns, that both the tour operating and airline charter industries are facing pressure on margins which will result in a significant adverse effect on the group's pre-tax profits.

Meanwhile, shareholders are to receive a same-again final dividend of 2.6p which raises their total from 4p to 4.4p net per 10p share.

For the year under review tour operating profits rose by £1m to £8.7m as did airline profits to £7.8m. The tour operating division carried 820,000 (590,000) passengers over the year, achieving a load factor of 95 (94 per cent). Air Europe, the wholly-owned subsidiary, carried 1.45m (1.26m) passengers.

In the current year, bookings at mid-June for the Summer 1984 programme totalled 697,000, a "real" increase of 23 per cent over the same period of 1983.

The directors point out that currently the tour operating industry remains "very competitive." They add that the impact of the miners' strike and the weakness of the pound "are making it difficult to secure late bookings at satisfactory margins."

Early indications suggest that the Winter 1984/85 holiday market will remain competitive. The group has just issued its brochure and says it is too early to give any indication of volumes.

Air Europe has sold its summer 1984 capacity and its order book for winter 1984-85 is "good." However, the directors say there is still a continuing problem of over-capacity within the airline charter market which has led to further pressure on margins.

The group's liquidity remains strong with cash and gilts at mid-June amounting to some £63m (£48m).

Tax for 1983-84 took £4.6m (£2m) and minorities £6,000 (nil) to leave £11.72m (£12.53m). Below the line an additional provision for deferred tax of £7.87m was charged as an extraordinary item. As a result, profit for the year was sharply lower at £3.86m (£12.53m) and after dividend payments of £2.27m (£2.07m) the retained balance emerged at £1.59m, compared with £10.47m.

Earnings per share declined by 1.6p to 22.7p.

● comment

The peak holiday season has arrived yet the supply of airline seats and hotel rooms is still plentiful and heavy discounting is going on throughout the sector. The effect on Intasun will be a reversal of the increasing profits trend of the last few years—unless there is a last-minute rush for late bookings. Early bookings were very buoyant and the industry optimistic, but the rush that usually begins in May never materialised, giving time for only a limited reassessment of capacity. Intasun has used its muscle as one of the top three UK tour operators to aggressively increase bookings by 23 per cent over last summer—but at the expense of margins. Its £62m cash pile is a comforting cushion against further loss of confidence, but little cheer for shareholders who have seen the shares slide from a high of 193p to 93p in recent weeks, including 15p on the results yesterday. Tour operators have tried cost cutting for two years running without winning sufficient custom. Intasun might try to find a way of using some of its cash to broaden its base. Meanwhile, analysts have drastically cut back their profit forecast for the current year to March 1985 to around £12m. That puts the shares at 93p on a prospective p/e of under 6 and a yield, assuming a maintained dividend, of 6.7 per cent. Until better news is forthcoming it will probably stay around that level.

Capital & Counties £31m rights to aid investment

BY TERRY GARRETT

INTENT ON retaining a much greater capital investment in future property developments, the directors of Capital & Counties are calling on their shareholders for £30.7m of new money through an issue of convertible unsecured loan stock by way of rights offering.

The issue is of 8½ per cent stock dated 1999-2004 on the basis of £2 of stock at par for every five shares held. Because the property group's largest shareholder, Transatlantic Insurance Holdings, a subsidiary of Liberty Life of South Africa, owning 29.58 per cent of the equity has agreed to take up its full entitlement, the directors have taken the unusual step of not having the offer underwritten.

The saving to Capital & Counties is £400,000 though, of course, it forfeits the guarantee of raising anything more than the £9m or so Transatlantic has agreed to take up.

Capital and Counties has recently completed the Ridings shopping centre, at Wakefield, and has been invited to participate in a number of other new shopping developments. It has already been appointed as developer for the proposed centre at Hanley, Stoke-on-Trent, a project estimated at over £30m, and has secured sites which are the key to two other developments in the South East.

There are also substantial plans for other shopping developments and programmes outside the retail sector.

The directors would like to increase the company's participation in these developments in preference to using outside funding, such as partnerships with institutional investors which dilutes the end return. For example Capital and Counties' take of the income flow from the Ridings development is only 30 per cent.

Also, they believe that the progressive reduction in the rate of corporation tax will significantly enhance the advantages of equity financing. And the convertible route enables the issue to be pitched so that the conversion terms—52 shares per £100 nominal of stock—give a price of 192.3p, close to the current market price of 193p. This avoids the unpopular course of offering equity now at a discount to a market price which is already at a substantial discount to the underlying assets.

Nevertheless, with a net asset value in the last accounts equal to 251p a share, the issue will ultimately dilute asset values per share albeit at a later date.

The directors were not attracted, however, to a mortgage debenture which would hold asset values undiluted because of the relatively high yield needed to get an issue away—probably close to 12 per cent at present—which finance director, Mr Ray Moorman, suggested could look like expensive borrowings within a couple of years or so.

The acceptance date is July 25 and the first conversion date will be in August 1987.

Advisors to the company are J. Henry Schroder Wagg and de Zoete and Bevan.

Better margins lead to doubled profits at Vantona Viyella

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

VANTONA VIYELLA, one of the big four vertically-integrated textiles-to-clothing companies, pushed its trading profits up by 82 per centin the first half of the current year to £8.66m, and at the pre-tax level the profit was doubled to £6.78m.

The performance is actually better than the figures indicate because last year's results include only a three-month contribution from Carrington Viyella, with which Vantona merged in January, 1983.

If a full six months from Carrington Viyella is taken into account, the increase is even more pronounced at the trading level — from £3.7m to £8.66m.

A large reduction in comparable interest payments made a major contribution to the improvement, at the pre-tax level though Mr David Alliance, chief executive of the group, warned against expecting the gearing to fall much below the present 26 per cent level.

This year's interim profit has been achieved on a turnover of £176.4m, which compares with the published figure of £121.1m last year. The comparable figure though was £179.1m and Mr Alliance explained the apparent discrepancy as the result of eliminating overlapping operations in the two companies.

It is clear that Vantona Viyella is now looking for a turnover of around £400m, in the full year and trading profit of about £20m.

A slight hiccup in the improved performance of the textile and clothing sector occurred early this year but since the spring there has been evidence of renewed growth, though it is clear the company is concerned about the possible effects of the long miners' dispute on spending in the shops.

What Mr Alliance expressed particular delight in yesterday was that the improvement in the company's performance has come about as a result of better margins rather than through an increase in sales. The actual rise in volume, he said, had contributed very little to the better performance.

Reiterating his long held belief that the better British producers can now turn out textiles at price equal to the landed UK price of any imports he added that this happy position was now being rapidly approached in garment manufacture, too.

For a group with such famous names at Van Heusen, Viyella, Dorma and Peter England, which makes the bulk of its goods in the UK, this is an important improvement.

The one disappointing area in the half-year has been carpets, where Donaghadee suffered a setback in a poor market. The result was a loss in this sector of £261,000 in the six months on a turnover of £17.29m compared with a published profit of £599,000 on a £11.66m turnover. Measures had now been taken to enable Donaghadee to produce a "respectable profit" in the second half, Mr Alliance commented.

The other problem area, uniforms, is also emerging from the doldrums, aided by the installation of new machinery and a programme of rationalisation.

With the traditional better second half results in the industry, as buyers open their purses in the run-up to Christmas, Mr Alliance is confident that the improved performance will be reflected in a rise in earnings per share, up by 67 per cent to 12.4p in the half-year. The shares closed at 220p, up 6p. The shares closed at 220p, up 10p.

See Lex

	Profit before tax 1984 £000	1983 £000
Performance by Divisions:—		
Household textiles	4,652	3,332
Carpets	(261)	599
Garments	1,932	(96)
Woven fabrics	2,938	1,191
Overseas companies	895	677
Assoc companies	512	449
	10,568	6,152
Less corp. oups. & int.	(3,784)	(2,772)
Group profit before tax	6,784	3,380

USM placing to value Mayfair & City at £12m

DEALINGS IN Mayfair and City Properties, run by Mr Sydney Coroh, are to begin on the Unlisted Securities Market on Monday.

In a move which values the company at £Q12m, merchant bankers Morgan Grenfell are placing 2.4m shares, or 20 per cent of the equity, at a price of 100p each.

Half the shares placed are being sold by Mr Coroh and his wife, who will raise about £1.2m. The remaining £1.2m will, after expenses, be used largely to repay £750,000 of the company's borrowings.

Mayfair owns five developed and let investment properties—three West End office buildings, an officeb uilding in Birmingham and shops and offices in Romford, Essex. A sixth property in the West End is currently being refurbished.

The group's net assets, after the share issue, are valued at £15.5m, or 129p a share. Profits for the year to the end of December were £933,000 pre-tax. These are forcast to dip to £825,000 for th 16 months to next March, largely because of the ocst of the refurbishment.

Mr Corob and his wife will retain an interest in 78 per ent of the company's enlarged equity.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
General Electric	2.3	Oct 1	2	3.45	3
Glass Glover ...int	1.38	Sept 30	0.94*	—	2.81*
IC Gas	8.5	Aug 17	7.6	12.5	10.6
Intasun	2.6	Aug 31	2.6	4.4	4
Marston Thompson	1.18†	—	1.04*	1.73	1.55*
S and N Breweries	3.64	Sept 3	3.16	5.37	4.66
Vantona Viyella ...int	4	Oct 1	3	—	8

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

UK COMPANY NEWS

S & N advances 34% to £55m and looks for further progress

Scottish & Newcastle Breweries pushed taxable profits for 1983/84 up by 34 per cent from £41.1m to £55.2m, and the board is confident that the current year will show further satisfactory progress.

Commenting on the year to end-April 1984 Mr David Nickson, the chairman, said: "This has been a successful year with continued economies, greater competitiveness and returns from increased investment in our properties contributing most to our much improved performance."

He went on to say: "Substantial sales growth was achieved in the important canned beer market, where we further strengthened our position as the industry leader. Draught beer sales showed a better trend but fell marginally short of the previous year's figures despite good gains by our lager brands.

"Thistle hotels had an excellent year. Profits grew by 90 per cent and this progress was achieved equally in London and throughout the country."

But Mr Nickson pointed out that wines and spirits trading was difficult. Home sales of whisky and spirits, he said, were slow with severe competition in retail trading.

He added that Scotch whisky demand was also depressed in many overseas markets.

Summing up, Mr Nickson said: "The summer weather of 1983 was exceptionally favourable and since most of the cost-cutting benefits have now made their impact, it would be unrealistic to anticipate a comparable rate of profit growth in 1984/85. The board is confident, however, that the year ahead will show further satisfactory progress."

S & N's profits advance was achieved on turnover some £50.7m higher at £692.5m and was struck after lower finance charges of £10.9m against £13.7m.

Shareholders are set to receive a higher final dividend of 3.64p which, together with the increased interim payment, lifts their total payout from 4.66p to 5.37p per 20p share.

Earnings per share before extraordinary items rose from a

MR DAVID NICKSON, chairman of S & N

stated 9.4p to 13.5p.

An analysis of S & N's operating profit of £63.2m (£52m) shows that hotels increased its percentage share of the group total from 5.6 per cent to 8.7 per cent. Profits from this activity rose from £2.9m to £5.5m.

Wholesale beer, managed public houses and tenancies also contributed more at £56.9m (£48.7m), and accounted for 90 per cent (93.6 per cent) of group profits.

At the interim stage S & N reported taxable profits of £31.6m, against £22.5m, and said then that the full year should show further progress, though at a slower rate than in the first half.

In the event, the second six months produced profits of £23.6m (£18.6m) on turnover of £344.5m (£322.4m).

The tax charge for the year amounted to £16.6m (£14.2m), leaving net profits of £38.6m (£26.9m).

There were extraordinary debits this time of £5m relating to deferred tax, closure costs, and a £5.9m surplus from the Gough Brothers disposal.

After extraordinaries and dividend payments the retained profit for the year amounted to £18m (£13.2m).

See Lex

Marston Thompson tops £7m for year

PRE-TAX profits of Marston Thompson & Evershed topped £7m over the 52 weeks ended March 31 1984 and, at £7.39m, beat the record figures of the previous year by £525,000.

A final dividend of 1.16p effectively lifts the net total from 1.65p to 1.725p per 25p share. In March, at the time of the offer for Border Breweries (Wrexham), the directors forecast a final of 1.144p.

Turnover of Marston, a brewer and wine and spirit merchant based at Burton-on-Trent, improved from £45.74m to £48.14m during the year, and trading profits pushed ahead by £744,000 to £9.38m.

Pre-tax profits were struck after taking account of a £151,000 (£140,000) contribution to the share ownership scheme and depreciation of £1.84m (£1.63m).

Tax accounted for £3.84m (£3.13m) and extraordinary debits £660,000 (nil).

Earnings came through slightly lower at 4.6p, compared with a previous 4.84p.

The directors say volume is down marginally, in part due to having no Easter trade. Draught Pedigree and Marston's lager, however, have continued to grow.

Sales since year-end show a healthy increase, particularly the group's low carbohydrate pale ale.

It is pointed out that the amalgamation of Border Breweries is proceeding well and that, when completed, the company should make a "positive" contribution to profit.

Capital expenditure over the year rose by £2m to almost £6m.

● **comment**

The figures from Marston—profits are just 7.7 per cent higher—illustrate all too clearly why the regional breweries have been under-performing their bigger brothers over the past year. There are several reasons but perhaps the most relevant is their much smaller investment with lager, consumption of which has been growing much faster than the more traditional draught beers, even the recently fashionable real ales. With a slight decrease in volume and a small price rise from October, last year was never destined to excite Marston loyalists. This year should be a little more integration of Border, which should work well on a number of counts. There is very little overlap in their respective territories and Marston should have no trouble in serving the new patch with its highly-efficient distribution system. Then there is also scope for rationalisation; it would not be a surprise if the Wrexham brewery is closed down as there is plenty of spare capacity at Burton-on-Trent. After the extra financing charges it looks as if around £8m pre-tax should be possible this year, which puts the unchanged 55p shares on a prospective p/e of just over 9 assuming a 35 per cent tax charge.

Ladbroke rights

Ladbroke Group, the betting, leisure and property concern, has successfully raised £54.1m through a one-for-five rights issue at 191p per share.

Of the 29.3m shares offered, nearly 27m, equal to 91.9 per cent have been taken up. The balance of 2.37m shares has been sold on the Stock Exchange at a premium over the subscription price of approximately 8.57p per share which will be distributed pro rata to the original allottees who did not take up their rights.

London and Leeds Investments, one of the property divisions of Ladbrokes, has announced that contracts have been exchanged for the letting of 100, Broadway, the company's 34,455 sq ft development on Edgware Road in North London.

A 25-year lease has been granted to Mary Kay Cosmetics Inc.

Pacific Sales joining USM via share placing

Pacific Sales Organisation, an importer and distributor of small leather goods in the UK, is coming to the Unlisted Securities Market by way of a pacing of 32 per cent of its issued capital.

Laurie, Millbank is placing 1.6m shares at 60p per share, of which 800,000 are new shares which will raise £390,000 for the company.

Most of the leather goods, including purses and wallets, come from China, and Shanghai Province in particular, where the company has held sole distribution rights for small leather goods since 1964.

The goods are distributed from a Manchester warehouse to customers including multiple stores (accounting for 60 per cent of sales) and mail order companies, taking a further 16 per cent. British Home Stores is the largest customer, taking a quarter of sales in the nine months to March 31.

Mr Leo Kalisch, chairman, started the business in 1959, sold it to the Hutchinson Whampoa Group of Hong Kong in 1970, then bought it back in 1982 for an undisclosed price with the assistance of joint deputy chairman Mr Max Jochnowitz.

Some of the proceeds from the placing will be used to repay the balance of an outstanding £235,000 loan from Hutchinson.

The company forecasts pre-tax profits of £300,000 in the year to June 1984, on turnover of £3.19m, increasing to £390,000 on turnover of £3.65m. At the placing price of 60p, that puts the shares on a prospective p/e of 8.2, a yield of 5.7 per cent and a market capitalisation of £3m.

Dealings are expected to begin on Tuesday, July 10.

Glass Glover rises 34%

GENERAL PROGRESS in all sectors of its activities and a much more favourable trading environment enabled Glass Glover Group to lift its pre-tax profits to £651,060 in the six months to March 31 1984, an improvement of 33.8 per cent over last time's restated £486,472.

Current trading is satisfactory and, although it is too early to predict the full year outcome with any degree of accuracy, the directors are confident that figures for the second six months will at least match last time's £1.04m.

Turnover for the opening half rose by 21 per cent to £30.94m (£25.57m) and at the trading level profits surged from £512,570 to £735,794 — the group is a food distributor and importer of fresh fruit and vegetables.

The interim dividend is being effectively increased from 0.938p to 1.375p net — a final of 1.875p was paid last year.

Pre-tax profits were arrived at after deducting £87,714 (£26,098) for interest on deposits less overdraft and loan interest.

Earnings rose from an adjusted 3.1243p to 4.2526p per 5p share.

Mr Gerald Glass, at present joint managing director, has been appointed deputy chairman of the group.

MINING NEWS

Signs of renewed strength in diamond markets

BY GEORGE MILLING-STANLEY

DIAMOND PRICES are generally stronger now than at this time last year, and sales to a number of countries have jumped dramatically in the first five months of 1984, according to a report to the World Diamond Congress in Antwerp.

The report from Antwerp's Diamond High Council, the influential bodyw hich regulates Belgium's diamond industry, noted that exports to the U.S. were up by almost one-third over the January-May period last year, with a rise of half to Japan and 45 per cent to Switzerland.

Sales to other European countries were either static or declining, the report added.

The economic recovery in the U.S. has created a considerable amount of surplus money which is being spent "in profusion" on consumer goods such as cars and home computers, and "it is expected that after the more practical purchases, the women will be allowed to share in the success," the report went on.

This suggests further growth in sales of diamond jewellery in the U.S. provided the upturn in economic activity continues.

In France, by contrast, diamond sales fell by nearly one-fifth last year, "a victim of restrictive fiscal and financial measures," according to the report.

The Council said that a shift in customer demand this year in favour of better-quality gemstones helped sales from Belgium, Israel and the Soviet Union, at the expense of India, whose cutting centres have concentrated on the smaller and poorer-quality stones.

Antwerp remained the most important cutting centre in the world, the report said, with turnover in the first quarter of 1984 reaching BFr 83bn (£1bn), a rise of 25 per cent over the same period of last year.

The Council also pointed out that the Soviet Union has moved to take advantage of the increased demand for higher quality goods by raising its sales of polished stones to Antwerp by half over the first five months of this year.

This suggests that there has been a change in Soviet policy towards earning all-important foreign exchange, with diamonds moving to take the place of sales of gold and oil in view of the marked price weakness in the latter two products.

However, it must be remembered that, although the Soviet Union's share of the world market for rough (uncut) diamonds is about one-fifth, its share is much smaller in polished goods. In the first quarter of this year, sales of polished to Antwerp totalled only BFr 4bn, or about U.S.$70m.

The increased Soviet activity has certainly not had a disruptive effect on the market, according to South Africa's De Beers Consolidated Mines, the leading force in the industry worldwide.

The company's London office commented yesterday: "The Russians, whether marketing diamonds, gold or whatever, are fairly shrewd operators and have not done much to destabilise the market."

Further light will be shed on the state of the world diamond market early next week with the release of half-yearly sales figures from De Beers' Central Selling Organisation, which handles the marketing of some 85 per cent of the world's output of rough diamonds.

More problems at Philippines smelter

THE PLANT of the state-controlled Philippine Associated Smelting and Refining Corporation (Pasar) failed to reopen as scheduled on June 27, exciting speculation in the local mining industry that the closure could last until considerably later in the year.

Pasar suspended operations early last month after an accidental spillage of about 400 tonnes of molten blister copper from one of its two anode furnaces. There have been suggestions locally that the damage was far more serious than Pasar has admitted, but the company has refused either to confirm or deny these rumours, reports Leo Gonzaga in Manila.

The closure of the US$530m (£400m) smeler in Leyte province, southern Philippines, came just a week or so after the government finalised regulations requiring local copper producers to secure the anproval of the Ministry for Trade and Industry hefore exporting aoy copper concentrates. These regulations are designed to secure an adequate supply of concentrates to the new operation.

All the major producers, with the exception of Benguet Corporation, which is still fighting the ruling, have committed at least 30 per cent of their concentrate output to Pasar, even though the companies claim that the operation's fees to producers are about twice the level charged by smelter-refinery complexes in Japan, previously the main market for concentrates from the Philippines.

A further complaint is that the producers are not receiving payment quickly enough after delivery, with delays of over a month quoted.

Earlier this year, while the regulations were still in draft form, Benguet warned the government that it would go to court if necessary to prevent the diversion of a large proportion of its production to Pasar.

The company is understood to have experienced little difficulty since then in obtaining ministry approval for exports to Japan, perhaps partly because of Pasar's closure and partly out of the Government's desire to avoid an open battle.

MINING NEWS IN BRIEF

THE PROPOSED gold mining joint veture in Colorado between London's Hampton Gold Mining Areas and Centennial Gold and Marathon Gold, both of the U.S., came a step closer to fruition yesterday with the news that considerable quantities of the important by-products, monazite and xenotime, are being sought by Rhone-Poulenc Chemicals of France.

While the gold deposits are still being proved up, Hampton Areas has announced that the French company plans to buy between 4,000 tons and 8,000 tons a year of the two rare earths for at least the first three years of operation. This would give the partners sales revenues of between U.S.$12m (£8.9m) and $21m over the three years from the rare earths alone, according to Mr Orin J. Farnsworth, president of Marathon.

Monazite and xenotime are used in television picture tubes, lasers, radar x-ray screens, magnetic bubble memories, radiation shielding windows, cathode ray tube face-plates, electromagnets, fluid cracking catalysts,

UK COMPANY NEWS BIDS AND DEALS APPOINTMENTS

Record for 3i after two years of declining profits

BY TIM DICKSON

AFTER two years of declining profits, the Investors in Industry Group (3i) yesterday reported record results for the 12 months to March 31. In spite of still hefty provisions due to failures among smaller companies and continuing recession in the shipping industry, profits before tax were up more than 66 per cent at £85m, earnings per share increased from 15.2p to 24.4p, and a dividend has been proposed of 10p per share (7p).

The 3i Group, which was known until last July as Finance for Industry (FFI), is owned by the four major clearing banks and the Bank of England, and is a leading provider of long-term capital for businesses of all sizes.

Its best known and most profitable subsidiary is its smaller companies division ICFC, but in addition the 3i Group puts together financial packages for larger concerns and runs management consultancy, shipping and energy finance, and corporate finance activities.

The major reason for last year's profits surge was substantially bigger profits on the realisation of 31 investments. "The rapid growth to financial maturity of so many businesses, and the recent strength of the equity market, has allowed us to realise profits totalling £40m, compared with £21.4m, during the previous 12 months," Lord Caldecote, 3i chairman explained yesterday.

Out of the 103 companies to achieve successful Unlisted Securities Market (USM) quotations during the period, for example, 12 had ICFG on its share register.

Capital profits from these successful investments, meanwhile, more than offset the £27.7m of provisions (roughly one quarter of them against losses on the shipping side), which were slightly lower than the £30.8m reported for 1983.

Lord Caldecote states in 3i's annual report that at £263m for the year just ended "new business was comparable with 1983 but with a greater reconcentration on equity." He explained that "as corporate liquidity is restored ... so the competition for lending business becomes more fierce and margins have accordingly remained slim."

ICFC's new business rose from £93m in 1983 to £130m last year—out of this the group claims roughly 45 per cent is either in the form of straight equity or unsecured loan.

The group's own borrowings, meanwhile, have been influenced by widespread customer preference for variable rate loans. Traditionally, ICFC has been a fixed rate lender, but in response to the very high nominal interest rates of recent years it introduce a variable rate alternative with a "drop lock" facility. Under this, borrowers can automatically fix the rate when interest levels fall to a certain point.)

Due largely to the popularity of this scheme, 3i converted on to a variable rate basis by interest swap contracts £112.6m of the record £290m of new fixed interest debt raised during 1983/84.

As the economy has slowly moved out of recession, 3i says it sees "a more entrepreneurial spirit emerging, encouraged by the Government's emphasis on, and fiscal support for, the establishment of new businesses and the accumulation of private capital."

The growth of venture capital and Business Expansion Scheme funds "has given rise to unprecedented activity both in ICFC's traditional area of venture and development capital and management buy-outs, and to our Venture Division's specialised field of 'hands-on' investment in the new high growth industries."

The group concedes, however, that the resurgence of interest in venture capital has also brought problems notably in the way that it has recently been used as "a natural source of talent for the new funds which have been founded during the year." Many of these have offered their newly appointed executives generous schemes. Significantly, Lord Caldecote reports that the remuneration of 3i staff will soon include a capital appreciation element. The group's shareholders, he says, have recently agreed that share option schemes should be established.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Automated Security, Whewey Watson.

Finals: Equity Consort Investment Trust, Harrisons Malaysian Plantations, Hollas, Meadow Farm Products, R. W. Toothill.

FUTURE DATES

Interims—	
Barclays Bank	Aug 2
Blundell-Permoglaze	July 15
Child Health Research Inv. Tst.	July 17
Denmane Electrical	July 9
Finals—	
Brunning Group	July 20
Carclo Engineering	July 9
Fleming Enterprise Inv. Trust	July 13
Fleming Tech. Invest. Trust	July 18
Milbury	July 11
Roteprint	July 11
Somerville (Wm.)	July 15
Thorn EMI	July 12

Argus makes ninth U.S. purchase in 18 months

Argus Press Holdings, the publishing arm of British Electric Traction (BET), has paid $22m (£16.3m) for Farm Press Mississippi. u

This brings Argus' total spending in the business publishing field in the U.S. in the past six months ot more than $60m and represents the ninth acquisition of a U.S. publishing group since 1982.

Farm Press publishes four regional weekly newspapers covering 19 southern sates from California to the Carolina's reaching 200,000 farmers. Argus said. It sees scope for further growth in the mid-West. Farm Press, Argus's first venture into the farminga rea in the U.S., had turnover of more than $10m in 1983.

Farm Press owns a mailing company, Delta Mailing Service, in Memphis Tennessee which distributes the group's newspapers but works mainly for third-party customers.

Mr William McNamee, who founded the company in 1944, has retired and Mr Tommy Keith, marketing director, has been appointed president.

Farm Press will continue to operate from Clarksdale. This brings Argus's U.S. printing centres to 6ve, including Atlanta, New York, Denver and San Francisco.

Glanfield Lawrence

Mr David Brooks has purchased 360,000 ordinary shares in Glan6eld Lawrence, the motor vehicle distributor and engineering group, which represents 6.8 per cent of the equity.

Mr Christopher Selmes, the financier, recently revealed that he had been buying shares, and his personal stake stands at 225,000, representing 4.3 per cent of the equity. Mr Selmes' company, Bajau, holds a 22.8 per cent stake in Glanfield.

Mr Selmes said yesterday, "I would be prepared to accept an invitation to join the board—if I were to be invited. If I were invited I might choose to nominate someone else."

* * *

Sheraton Securities International has entered into an agreement to acquire the issued share capital of Gravel Investment and Property for £2.15m to be satisfied by the issue of 15,613,147 new ordinary shares of Sheraton Securities and £120,291 in cash.

The agreement is conditional on the approval of Sheraton Securities shareholders and on permission to deal in the new ordinary shares on the Unlisted Securities Market.

Placing values Bush at £8m

BUSH RADIO, a consumer electronics company which first made its mark on the industry when it bought the Bush name from the giant Rank Organisation, is to make its debut on the Unlisted Securities Market on Monday.

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The company through stockbrokers Montagu Loebl Stanley is placing 35 per cent of its equity or 3.3m shares at 58p each, valuing the company at £8.3m.

The two founders and joint managing directors, Mr Richard Schlagman and Mr Mark Futter, are each selling £1m worth of shares and a further £662,000 is being raised after expenses for the company.

Mr Futter, aged 29, and Mr Schlagman, 30, will retain 65 per cent of the enlarged equity.

The Enfield-based company, which was founded in 1973, bought a 6ve-year licence from Rank in 1981 to use the Bush name and trade marks with an option buy them outright in 1986. The total purchase price was £600,000, of which Bush has so far paid £250,000.

The company's products, which incude radios, radio cassette recorders, radio alarm clocks and music centres, are made by subcontractors in the Far East to Bush designs. The company imports and distributes them to High Street retailers.

Profits in the current year to August are forecast to raise to £830,000 pre-tax, from £540,000 on sales of £6.4m last year.

Asian hoteliers build up their Rowton interests

BY CHARLES BATCHELOR

TWO ASIAN hoteliers yesterday revealed they had bought sizeable holdings in Rowton Hotels, where the board has been split by an internal row.

Mr Nurdin Jivraj, owner of four hotels in the West End of London, bought the 24.66 per cent in Rowton previously held by Gresham House, the investment trust group. He made the purchase through Rushlake Investments, a newly-created company in which he holds 50 per cent of the equity with the rest held by foreign investors.

Mr Nazumu Virani, chairman of Belhaven Brewery, and the owner of large private hotel interests, disclosed that he had increased his holding in Rowton to just under 15 per cent, from between 5 and 6 per cent.

The two men, who both came to Britain in the early 1970s from East Africa, said they were not acting in concert, and were unaware that the other was buying shares.

Mr Virani was last week discussing the possible purchase of the Gresham stake. Mr Jivraj paid 310p per share late on Monday for the Gresham stake—a total of £2.9m. Mr Virani said he paid on average substantially less than 310p.

Rowtons shares rose 20p yesterday to 302p to value the entire group at £11.5m.

Mr Jivraj said he had no interest in making a full bid. "I shall be meeting the board very shortly. They are very happy and have welcomed me. I would want to liaise with the board to give them my knowledge and see how we can prosper."

Mr Jivraj, now 50, started out in the hotel business in the UK in 1975 and owns the 96-room Tudor Court, the 550-room Prince of Wales, the 400-room Plaza, and the 90-room Fremantle, alt in West London. He also owns the 111-apartment Albert Hall Mansions.

Meanwhile, two Gresham House directors—Mr Freddie Sterling and Mr Roland Rowe—said they intended to stay on the Rowton board, despite the Gresham House sale of its holdings, to push through board changes.

Mr Stirling has 16,000 Rowton shares on his own account while Mr Rowe has none. The two men urged shareholders in a letter yesterday to vote against the reappointment of three of the other four directors.

"Senior executives with relevant experience in the hotel and leisure industries must be recruited into Rowton," they said. They called for shareholders to approve the appointment of four new directors after the July 12 annual meeting.

Funds disclose holdings following panel ruling

LARGE FUNDS are for the first time revealing substantial shareholdings in public companies, which they hold on behalf of clients, following a ruling by the Panel on Takeovers and Mergers last month.

The Takeover Panel ruled that investment managers must disclose when they hold 15 per cent or more in aggregate of a company's total voting rights on behalf of the clients. The Panel said that it would not be necessary for fund managers to name the clients.

● Robert Fleming Investment Management has over 16 per cent of Turner and Newell; 15.28 per cent of Woolworth; 17.6 per cent of Marlborough Property; 16.4 per cent of Coiled Parcels; 17 per cent of First National Finance Corporation and 26.4 per cent of Harrison Cowley.

● Warburg Investment Management has over 18 per cent of Equity and Law; 17.82 per cent of Turriff Corporation; 16.53 per cent of Whatman Reeve Angel; 25.8 per cent of Keystone Investment Company; 15 per cent of House Property Company of London.

● Kleinwort Benson Investment Management holds 76.54 per cent in Family Iovestment Trust; 42.22 per cent in M & G Group; 15.61 per cent in Jones & Shipman.

● Baring Bros, together with its subsidiaries and discretionary investment clients bolds more than 15 per cenl of the shares in Outwich Investment Trusts; Tribune Investment Trust; Southampton-Isle of Wight South of England Royal Mail Steam Packet; Albany Investment Trust; Secombe Marshall and Campion; Greig Fester; and Tennants Cons.

● M & G Investment Management holds 18.65 per cent of Birmid Qualcast through its funds; 16.5 per cent in Meat Trade Suppliers; 22.05 per cent of United Wire Group; 16.23 per cent of Law Debenture Corporation; 15.93 per cent in Redman Heenan International; 19.03 per cent of Richardsons Westgarth; 16.81 per cent of Neesend; and 17.71 per cent of M & G Second Dual Trust.

● N. M. Rothschild, through its investment portfolios, advised or managed on a discretionary basis held over 15 per cent of the equity in Biotechnology Investments and New Court Trust.

● Funds under the management of Hill Samuel Investment Management holds 21.5 per cent of the voting rights in Sapphire Petroleum.

● Rea Brothers, together with its subsidiaries and discretionary investment clieots, bas over 15 per cent in Aeronautical and General Investments; Fashion and General Investments; Lancashire and London Investment Trust; Ocean Wilson Holdings; Rea Brothers; Scottish Cities Investment Trust; Stothert and Pitt; Stocklake Holdings.

BIDS AND DEALS IN BRIEF

Barr & Wallace Arnold Trust has sold the business, assets and name of its subsidiary, Data Sciences International to Mayne Nickless Compnter Services for a consideration wbicb will amount to approximately £1.4m in cash. The transaction involves the sale of the fixed assets and stock of DSI, whicb al December 31 1983 had a book value of approximately £179,000. DSI made a pre-tax profit of £44,618 during the year 1983.

* * *

Alexander Russell has agreed to acquire the capital of Springbank Sand and Gravel for £2.52m. The consideration is payable in cash, but Springbank shareholders may receive up to half in ordinary shares in Russell, or receive any part in the form of 9½ per cent unsecured loan notes of Russell. Completion is expected on July 10.

* * *

The offer by **Rohan Gronp** for **D.A.D. Properties** is now wholly unconditional. Valid acceptances have been received in respect of 7,811,828 ordinary, which with 230,490 shares purchased in June gives Rohan 55.09 per cent of the company. Tbe offer remains open until July 31.

Belhaven Brewery Gronp bas agreed to purchase two freehold commercial properties in South London for a total consideration, including expenses, of £237,000. The properties consist of a warehouse, a showroom and office building and a block of sbops with ats above.

The total coosideration is to be satisfied by the issue of 750,007 (3.33 per rent) new ordinary shares in Belhaven. All the shares have been conditionally placed with institutional and private investors through the market.

* * *

Erskine House bas expanded its fire protection division following the acquisition of Norfolk Security Service. Norfolk will be merged with Dreadnought Fire Extingulsher under the new name of Erskine Fire.

The consideration for the acquisition is £40,000 to £50,000 depending on the final value of stock in band.

Contracts have been exchanged wbereby **Marling** will acquire W Ribbons its interests in the capitals of Lolift (UK), Europtiss (France), Lolift Verwaltungs (Germany) and Lolift Verpackungs (Germany). The consideration for the above, representing net assets of £950,000, will be £1.14m.

* * *

Cass Group has sold its Cass Arts and Graphics subidiary to the holding company of the Time Drawing Office, Lanic Investments for a sum equal to its net asset value as at June 30, 1984. At December 31, 1983 Cass Graphics had eot assets of £24,757, profit after tax £24,753 and turnover £1.46m. As part of the sale, Cass Graphics has repaid the Cass Group approximately £550,000 and Caas has subscribed for £360,000 variable rate loan stock.

* * *

Pritchard Services bas acquired **Tight Grip Security**, a company which provides security services in Scotland.

The consideration payahle is expected to be about £200,000, which has been satis6ed in part by the allotment of 150,000 ordinary in Pritchard. The balance of the consideration will be payable in casb on or before December 31 1984.

* * *

Caparo Industries has acquired a further 50,000 **Brown and Tawse** ordinary shares which gives it a total holding of 3.15m shares, or 15.2 per cent of the company's capital.

* * *

Marling Indnstries bas purchased 10 per cent of **Collingwood Fabrics**, a webbing manufacturer based in Collingwood, Ontario, and bas options to increase its stake to 25 per cent or 49 per cent.

* * *

Caparo Industries' beating and plumbing mercbant subsidiary, G. R. Francis, has sold certaio assets and goodwill in reapect of its West Midland operationa to J. Thomas Edwards and Sons for a casb consideration in the region of £40,000.

* * *

Illingworth Morris says companies controlled by A. J. Lewis have acquired 100,000 ordinary stock units and 150,000 "A" ordinary stock units, and now own 5.56m ordinary stock unita (55.61 per cent) and 15.9m "A" ordinary stock units (52.97 per cent).

* * *

Mercantile House announces that the ordinary and preference offers for Jessel Toynbee & Gillett bave become unconditional in all respects as all the conditions have been satis6ed or waived.

The offer will remain open for acceptanre until further notire.

Acceptances have been rereived in respect of the equivalent of 19.98m existing J. T. & G. ordinary (93.5 per reot) whicb includea elections for the loan note alternative in respect of 16.04m existing ordinary (75 per cent).

Chairman of Currys

Mr W. J. (Jeff) Benson has been appointed chairman of CURRYS GROUP. He succeeds Mr Dennis Curry, chairman for the past 16 years. Mr Benson was appointed a non-executive director of Currys in September 1983. Among his other appointments, he is a deputy chairman of National Westminster Bank having retired as group chief executive of NatWest at the end of 1982.

*

BROWN SHIPLEY LIFE AND PENSIONS is to assume administrative responsibility for the trustee and tax service function of Brown Shipley and Co. Mr Michael Delmar-Morgan, a director of Brown Shipley Holdings, will join the board of Brown Shipley Life and Pensions. Mr David Karran will continue as trust officer and be appointed an assistant director.

*

INTERVISION VIDEO (HOLDINGS) has appointed Mr Jarvis Astaire its chairman. Mr Bev Ripley, managing director, has been appointed deputy chairman and will concentrate on the development of the company's joint interests with GBS/Fox, both in the UK and overseas. Mr Terry Norris has become managing director. Mr G. B. Hall has resigned from the board.

*

Mr Brian H. Weston has been appointed chairman and managing director of HFC TRUST AND SAVINGS. He succeeds Mr Ian Martindale, who is retiring after nine years as chairman. Mr Weston joined HFC in 1982 as deputy chairman after nine years with the First Interstate Bank of California.

*

Mr Jack Andrews has been appointed as director of progress for SHAW CABLE. He was previously controller of programme administration at Thames Television's main production centre at Teddington.

*

Mr Norman Hay has been appointed a non-executive director of TSB TRUST CO, the insurance and unit trust arm of the TSB Group. Mr Hay was director and deputy chief general manager of Royal Insurance.

*

Mr A. J. Cross is joining the board of THE BIRMINGHAM MINT on July 1 as a non-executive director. He is chairman and chief executive of Centreway Trust and Centreway Industries.

*

GASKELL & CHAMBERS, a member of the MKR Group, has appointed Mr P. A. M. Barham as managing director. He joins after a five-year period working with other companies in the group.

*

The Trade Secretary has re-appointed Miss Felicity Green and Mrs Romaine Hart as members of the board of the NATIONAL FILM FINANCE CORPORATION for one year from March 1 1984 and May 4 1984 respectively.

*

The FACULTY OF ACTUARIES, Edinburgh, has re-elected Mr A. D. Shedden as president for the session 1984-85.

*

PHOTO-ME INTERNATIONAL has appointed Mr David W. Miller and Mr Terence M. Chute to the newly-created positions of joint managing directors.

*

Following the acquisition by Tikkurila of a controlling interest in DONALD MACPHERSON GROUP, the following changes have been made: Mr Pentti Y. Siplla has been appointed chairman of Donald

Mr Jeff Benson, new chairman of Currys Group

Macpherson. Mr Y. Huttunen becomes deputy chairman while Mr V. Tolvanen and Mr K. Salminen have been appointed to the board. Mr Rex Chester continues as chief executive of the group.

*

The LONDON INVESTMENT TRUST, a financial services group with commodity clearing and broking and operations in the UK and the U.S., has appointed Mr W. E. R. (Bob) Seibenmann, as managing director of London-based commodity broking subsidiary, E. Bailey Commodities. For the last 10 years he has worked with the Jean Lion Group of sugar merchants and commodity dealers where he has been managing director of all the UK subsidiaries.

*

Mr John Howard, chief general manager, ROYAL INSURANCE, since May 14 1980, will retire on December 31 1984. He will be succeeded by Mr A. A. Horsford, appointed a director in 1979 and, since January 1 1983, deputy chief general manager.

*

Mr R. H. Eyres has been appointed deputy managing director of RUSSELL BROS. (PADDINGTON). Mr C. C. N. Wynne has been appointed non-executive director and secretary, the latter appointment in the place of Mr A. K. L. Black who has resigned.

*

Mr John Bodger has joined the board of WILLIAM EVANS, St James's Street gunsmiths. Mr Bodger has been manager for the past four years.

*

Mr Gerald Glass, joint managing director, has been appointed deputy chairman of GLASS GLOVER GROUP. Following the retirement of Mr L. F. Bitton, Mr Stuart Linton Gordon has been appointed company secretary.

*

Mr Keith Daniels has been appointed a partner in PEAT MARWICK'S Sheffield office.

*

Mr D. Tullett, of Tullett & Tokyo Forex International, has been elected deputy chairman of the FOREIGN EXCHANGE AND CURRENCY DEPOSIT BROKERS' ASSOCIATION in succession to Mr R. C. Lacy.

*

Mr John Dolby will join the board of H. FAIRWEATHER & CO. (CITY) on August 1. For the past five years he has been marketing director of V. A. T. Watkins. Mr Donald Street, currently senior contracts manager at Fairweather City, will be invited to join the board next year as contracts director, at which time Mrs Valerie Lavers will become company secretary.

FINANCIAL TIMES

Wednesday July 4 1984

Three Eurodollar bond issues total $230m, Page 38

WALL STREET

Holiday mood is pervasive

THE PROSPECT of today's Independence Day break in the stock and bond markets, the commodity exchanges, as well as most state and federal offices, made itself felt in another slack trading session on Wall Street yesterday, *writes Terry Byland in New York.*

The main feature was the continued gyration in the federal funds rate as banks struggled with a technical outflow of funds, linked both to the holiday and to this week's two auctions of Treasury securities.

The stock market closed firmly, helped by an improvement in bonds as dealers anticipated a favourable outcome to the Treasury auction, and by a fall in the Federal funds rate to 10 per cent. The long bond ended ⅜ of a point up on the day, helped by an average rate of 13.83 per cent at the auction, lower than feared earlier in the week.

The Dow Jones Industrial average, at 1134.28 showed a net gain of 4.20 points, on turnover of 70.3m shares. IBM closed sharply higher at $107⅞, up 1⅝.

Turnover levels were little changed from the previous session, with block trades still indicating interest by the major institutions.

Federal funds surged to 12½ per cent at midsession, prompting the Federal Reserve to make a $1.5bn repurchase arrangement on customer account. Cash demands came from consumers stocking up ahead of the holiday but also from market traders positioning themselves for yesterday's auction of $5.5bn in seven-year notes and tomorrow's $4bn in 20-year Treasury securities.

Pressures for short-term money in the securities markets were also reflected in a decision by U.S. Trust to increase its broker loan rate by one point to 13 per cent – quickly followed by a half-point rise to 13 per cent at Bankers Trust.

But the broader credit markets were little affected by the federal funds rate. Bond prices edged higher, with the pre-auction issues returning lower yields of 13.88 per cent on the seven-year note and 13.78 per cent on the 20-year bond. Treasury bills and other short-term rates also eased.

In the stock market, there was some selling of Warner Communications as soon as the market opened, and the price fell $1⅛ to $20¼ as investors took a cautious view of the sale of the Atari assets. Analysts at several brokerage houses took the view that Warner is now a smaller company with reduced earnings prospects.

Another active feature of early trading was Carnation, the condensed milk and grocery products Group, which jumped an early 2⅞ to $66⅞ after market hints that a member of the Stuart founding family planned to sell out. Carnation stock dipped to $62 later, after one member of the family denied the suggestions. But doubt remained over the views of Mr D. Stuart, the subject of the original rumors, who has a share in the voting authority of 20 per cent of the stock.

Among the blue chips, IBM added $½ to $106¾ while General Motors, still absorbing the $2.5bn acquisition of Electronic Data Systems, edged up $⅛ to $65⅛.

The search for defensive stocks featured General Foods, $1⅛ up at $55⅝; American Brands, up $⅜ to $55½; and Merck, the drug group, which put on $⅛ to $91⅛.

Ryan Homes, the major housebuilder, gained $1⅛ to $24¼ while awaiting a move from the management group planning to offer $24 a share for the equity.

In the credit markets, business quietened down at midday as traders awaited news from the auction of Treasury securities. The key 2014 long bond, at 97²⁹⁄₃₂, showed a net gain on the day of ⅜.

Three-month Treasury bill discounts eased by two basis points to 9.97 per cent, with the six-month rate five basis points lower at 10.47 per cent.

AUSTRALIA

A LACK of buying demand, both from domestic and overseas investors, left shares easier in Sydney.

Local institutional investors were said to be staying out of the market while they plan their strategies for the new financial year, while the strength of the U.S. dollar is encouraging investment in North American markets.

CSR shed 2 cents to A$3.20 as it released its annual report and said it was looking for an investment opportunity free from foreign exchange fluctuations and the cyclical effects of the sugar industry.

Santos fell 6 cents to A$5.84 despite its announcement of a small oil find in the South Western Queensland area.

SINGAPORE

SELECTIVE profit-taking pared early gains in Singapore, though the market was still able to close marginally firmer on the day.

The Straits Times index added 0.33 to 894.98 on turnover that bad increased to 10m shares from the previous session's 6.5m.

Fraser and Neave went against the trend, shedding 5 cents to S$5.20 in the wake of Monday's flat results.

Elsewhere, few major price changes were seen, although Singapore Land, which has been under recent pressure, added 16 cents to S$3.80.

HONG KONG

A STEADIER mood emerged in early Hong Kong trading as fears over investment in the property sector eased, but later, concern over the outlook for domestic interest rates left the market at a second successive 1984 low.

The Hang Seng index, which managed a 9.64 rally at mid-morning, ended down 8.60 at 861.63.

CANADA

A BROADLY lower tone emerged in Toronto with a sharp decline posted by the golds sector and smaller losses by oil and gas issues and base metals and minerals.

Montreal was steady to slightly higher with marginal advances posted by industrials, utilities and banks.

KEY MARKET MONITORS

STOCK MARKET INDICES

NEW YORK	July 3	Previous	Year ago
DJ Industrials	1,134.28	1,130.08	1,225.26
DJ Transport	476.03*	472.22	586.81
DJ Utilities	124.23*	124.47	128.92
S&P Composite	153.38*	153.20	186.64
LONDON			
FT Ind Ord	821.3	822.1	691.8
FT-SE 100	1,050.2	1,047.6	979.2
FT-A All-share	491.87	490.48	446.33
FT-A 500	534.58	532.87	483.31
FT Gold mines	606.3	626.8	629.0
FT-A Long gilt	11.03	10.99	11.90
TOKYO			
Nikkei-Dow	10,349.25	10,410.87	8,935.66
Tokyo SE	789.12	793.25	660.09
AUSTRALIA			
All Ord.	656.2	659.0	605.4
Metals & Mins.	419.0	422.4	536.5
AUSTRIA			
Credit Aktien	53.91	53.89	55.89
BELGIUM			
Belgian SE	141.43	141.67	128.86
CANADA	July 3	Previous	Yr ago
Toronto Metals & Minls	1,852.1*	1,862.4	—
Composite	2,220.8	2,220.9	2,446.9
Montreal Portfolio	108.18	108.15	122.55
DENMARK			
Copenhagen SE	181.53	181.46	154.13
FRANCE			
CAC Gen	170.4	170.0	124.8
Ind. Tendance	109.3	109.2	77.6
WEST GERMANY			
FAZ-Aktien	342.08	347.18	322.83
Commerzbank	987.9	1,002.2	957.8
HONG KONG			
Hang Seng	861.63	868.63	983.72
ITALY			
Banca Comm.	207.25	208.41	186.97
NETHERLANDS			
ANP-CBS Gen	157.2	157.0	136.8
ANP-CBS Ind	126.7	126.4	110.8
NORWAY			
Oslo SE	230.2	227.69	188.24
SINGAPORE			
Straits Times	894.98	894.65	971.35
SOUTH AFRICA			
Golds	977.8	989.8	884.3
Industrials	1023.1	1026.9	959.2
SPAIN			
Madrid SE	125.81	124.48	116.41
SWEDEN			
J & P	1,502.43	1,493.62	1,338.62
SWITZERLAND			
Swiss Bank Ind	361.10	361.3	332.7
WORLD	July 2	Prev	Year ago
Capital Int'l	174.3	174.9	181.2

GOLD (per ounce)

	July 3	Prev
London	$368.25	$370.75
Frankfurt	$368.50	$370.25
Zürich	$368.50	$370.50
Paris (fixing)	$369.97	$371.05
Luxembourg (fixing)	$369.80	$370.75
New York (July)	$368.70	$370.70

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR July 3	U.S. DOLLAR Previous	STERLING July 3	STERLING Previous
$	–	–	1.3375	1.351
DM	2.821	2.79	3.77	3.77
Yen	239.65	238.55	320.25	322.25
FFr	8.655	8.565	11.565	11.575
SwFr	2.367	2.342	3.1625	3.165
Guilder	3.181	3.1495	4.25	4.255
Lira	173.0	1717.0	2308.0	2327.0
BFr	57.335	56.725	76.5	76.9
C$	1.31875	1.31625	1.763	1.7785

INTEREST RATES

	July 3	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9 11/16
SwFr	4⅜	4 7/16
DM	6	6
FFr	12½	12 9/16
FT London interbank fixing (offered rate)		
3-month U.S.$	12 7/16	12⅜
6-month U.S.$	12 11/16	12⅝
U.S. Fed Funds	10	13
U.S. 3-month CDs	11.85	11.80
U.S. 3-month T-bills	9.96	9.71

U.S BONDS

Treasury	July 3* Price	July 3* Yield	Prev Price	Prev Yield
13 1986	99 23/32	13.10	99 27/32	13.15
12⅞ 1991	93 1/32	13.77	99 29/32	13.83
13⅛ 1994	96 15/32	13.80	96⅝	13.85
13¼ 2014	97 29/32	13.58	97⅜	13.64
Corporate	**July 3* Price**	**Yield**	**Prev Price**	**Yield**
AT & T				
10⅜ June 1990	86⅛	13.90	86⅛	13.90
3⅞ July 1990	70½	10.70	70½	10.70
8⅜ May 2000	86⅛	14.10	66½	14.10
Xerox				
10⅞ March 1993	82½	14.25	82½	14.25
Diamond Shamrock				
10⅞ May 1993	81⅝	14.35	81⅝	14.35
Federated Dept Stores				
10⅞ May 2013	75	14.26	75	14.25
Abbot Lab				
11.80 Feb 2013	83⅛	14.25	83⅛	14.25
Alcoa				
12¼ Dec 2012	83⅝	14.70	83⅝	14.70

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	60-05	60-10	59-17	59-22
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	89.01	89.05	88.81	88.95
Certificates of Deposit (IMM) $1m points of 100%				
Sept	87.29	87.34	87.22	87.30
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	87.22	87.22	87.11	87.12
20-year Notional Gilt £50,000 32nds of 100%				
Sept	100-31	101-01	100-20	101-02

COMMODITIES

(London)	July 3	Prev
Silver (spot fixing)	612.00p	615.60p
Copper (cash)	£1001.50	£999.75
Coffee (July)	£2185.00	£2182.00
Oil (spot Arabian light)	$27.87	$27.92

EUROPE

The buyers begin to reappear

A SPRINKLING of buying demand resurfaced on many European bourses yesterday, but in most cases came too late in the session to have much carry-over impact on markets which have found themselves becalmed for some weeks now.

A return of some foreign buying was detected towards the end of the Frankfurt trading day, although by no means enough to offset further sharp and widespread setbacks encountered earlier on.

Many issues came off their day's lows, however, and the midsession calculation of the Commerzbank index – down 14.4 at 987.9 as it again lost its grasp on the 1,000 level – did not reflect the partial revival.

The earlier losses resulted less from any marked wave of selling than from an absence of domestic buyers. Despite the settlement of the protracted strike campaign in the engineering industry, the apparent wish over the past few days has been to hold back from major commitments of fresh funds until the cost to corporate profitability can more clearly be assessed.

Figures for lost turnover began to drift in yesterday from the car makers. As output restarted, the loss to the sector in sales terms was put at DM 10bn.

Vehicle shares took another thumping. BMW slid DM 12.50 to DM 385.50, Daimler Benz DM 6.80 to DM 567.20 and VW DM 2.50 to DM 187. Tyre maker Conti Gummi managed a DM 1.20 rise, though, to DM 128.

The engineering side itself was well supported, allowing gains of DM 5 for Deutsche Babcock at DM 157 and DM 3 in KHD at DM 229.50.

Domestic bonds showed losses ranging to 20 basis points or more but the new DM 2bn 10-year federal loan stock, carrying an 8⅛ per cent coupon, held steady less ½ to its 100¼ launch price and was reported fully placed. The Bundesbank sold DM 800,000 of seasoned paper.

Afternoon strength in **Amsterdam** erased many early losses and brought decent gains for selected issues. The best of these was in Unilever, up Fl 5.40 to Fl 256.50, attributed to arbitrage activities with London.

Royal Dutch moved Fl 1.30 higher to Fl 150.80 but not all ended on the plus side: Akzo and Hoogovens each shed 50 cents to a respective Fl 86.20 and Fl 49.90.

Bonds held quietly steady.

Trendless Paris trading left advances and declines fairly evenly balanced. Among the former were Poclain, FFr 2.80 higher at FFr 42, and Roussel-Uclaf, up FFr 41 at FFr 1,267, while setbacks were encountered by Michelin, off FFr 23 to FFr 795, and Bouygues, down FFr 5 to FFr 619.

Club Med jumped FFr 16 to FFr 923 after news of its move into China.

Concerns over the stability of the ruling Italian coalition continued to restrain **Milan.** But, there too, after-hours business produced a far firmer result than earlier dealings.

In official trading, Fiat slipped L50 to L3,900 as its annual meeting got under way. Against the trend, Olivetti out on L55 to L5,065 and La Centrale L21 to L1,951 – both partially recouping losses on Monday of L169 and L133 respectively.

The oversubscription of the latest Treasury issue of seven-year credit certificates encouraged the bond market.

A downward drift in **Zurich** left Nestle SwFr 20 lower at SwFr 5,040 but Swiss Re, a firm spot in insurances with a SwFr 50 gain to SwFr 7,450. Bonds were little changed.

Brussels followed a similar path, although Vieille Montagne was notable for a BFr 100 rise to BFr 3,800.

Benefit was drawn in **Stockholm** from reports that one of the new wage-earner investment funds had begun to channel cash into domestic equities. Of the issues identified as being favoured by the fund, Asea and Stora Kopparberg held at a respective SKr 307 and SKr 675, while Ericsson at SKr 321 and Saab Scania at SKr 410 each gained SKr 3, and Electrolux put on SKr 4 to SKr 257.

Volvo's two-for-one stock split became effective, and it settled at SKr 255 against Monday's SKr 507 in the old form.

Electricals led **Madrid** upward.

New Paris appetite for enterprise, Page 14

LONDON

Confidence again undermined

A COMBINATION of fresh sterling weakness, higher interest rates and the mineworkers' deadlock eroded confidence in London yesterday, with Government securities leading the trek lower. The FT Industrial Ordinary share index settled 0.8 down at 821.3.

Conventional and index-linked gilts were only sporadically traded. Among longer-dated stocks, falls ranged to ⅜ before they were reduced in after-hours business. Selected low-coupon shorts provided exceptions, rising ¼ in places.

For the second successive day, Enterprise Oil was the most heavily traded stock, although renewed strong support made little impression on the price, which remained at par in 100p-paid form. Rio Tinto-Zinc, which has made a partial offer for Enterprise at up to 110p, fell 10p to 577p. Meanwhile, the private insurance group Norwich Union announced that it held a near 10 per cent stake, or 21.1m shares.

GEC was another active counter. After preliminary results – lower than some projections – it fell to 162p, but a proposal to buy back shares later aroused speculative interest and the price rebounded to close up 4p on balance at 194p.

Chief price changes, Page 30, Details, Page 31; Share information service, Pages 32–33

TOKYO

Yen's slide adds to anxieties

AN APPREHENSIVE mood pervaded the Tokyo stock market yesterday, aggravated by the yen's sharp fall against the dollar, and prices tumbled for the second successive session, *writes Shigeo Nishiwaki of Jiji Press.*

Many investors moved to the sidelines as the dollar rate slid close to Y240. Incentive-backed speculative issues fluctuated erratically, and blue-chip stocks were largely neglected.

The Nikkei-Dow market average shed 61.62 to 10,349.25 on volume of 282.28m shares, against the previous day's 267.02m.

The yen's sharp depreciation against the dollar, in spite of massive dollar-selling intervention by the Bank of Japan, fuelled fears of an official discount rate rise among financial institutions.

This uncertain climate encouraged the retreat of many institutional investors to await a clearer trend in U.S. financial markets after today's Independence Day holiday.

In the absence of strong buying interest, the market was caught in cross-currents of profit-taking and buying of incentive-backed speculative issues.

Conspicuous among these issues, Kuraray fell Y19 to Y766 during the morning after Japan Securities Finance suspended lending new shares of the stock to securities houses. But revived buying interest during the afternoon boosted the stock Y45 to a record Y650 at the close.

Many market participants were convinced that the action would dampen speculative interest in Kuraray. But Daiwa Securities remained bullish, suggesting that the company's development of an anti-cancer drug would boost the price still further.

Asahi Chemical topped the active list with 19.21m shares changing hands, but closed Y3 lower at Y623. Yoshitomi Pharmaceutical, favoured in the previous session, lost Y40 to Y930.

Riccar regained strength after the company's denial of a rumoured capital reduction. The stock relinquished only Y8 to Y212 after Monday's Y32 fall.

Blue-chip stocks were generally out of favour, with Hitachi easing Y10 to Y625, Matsushita Electric Industrial Y20 to Y1,630 and Pioneer Y70 to Y2,610.

The bond market weakened further in reaction to the yen's decline, although the impact was limited by the strained supply-demand position.

SOUTH AFRICA

GOLD shares ended mixed to easier in Johannesburg with investors failing to draw much encouragement from the weakness of the rand which was at an all-time low against the dollar.

Trading was thin and nervous with Vaal Reefs down R2 to R162 and Libanon 50 cents lower at R42.50. However, Loraine moved in the opposite direction, adding 5 cents to R8.90.

Closing prices, July 3

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20⅝	13¾	AAR	.44	2.1	22	130	u21	20⅝	20¾	-⅛
22	15	AMCA	n 1	6.6		11	15¼	d14½	14½	-¼
18⅝	13⅛	AMF	.50	3.0		2340	17⅜	16¾	16⅞	+⅛
41¼	26⅝	AMR Cp			3	4070	30⅝	29¾	30½	+⅝
20⅜	17¼	AMR	pf2.18	11		8	19¼	19¼	19¼	
41½	29⅝	AMR	pf2.13	8.5		135	32½	32¼	32½	+¼
16¾	9⅞	APL			4	124	10½	10½	10½	
55¼	40¾	ARA	2.10	4.6	10	163	46¾	45¾	45¾	+¼
72⅝	50¾	ASA	3a	6.5		508	56¼	56	56	-1¾
30¾	17	AVX	.32	1.6	15	82	20	19⅝	19⅞	-¼
53¼	38¾	AbtLab	1.20	2.8	15	1161	43⅜	42⅝	43⅛	+¼
30¼	23¼	AccoWd	.60	2.1	18	147	28¾	28⅜	28¼	+¼
27¼	15½	AcmeC	.40	2.4		56	17⅜	17	17	-⅜
24⅞	11	AcmDg	.04	.3	7	23	12⅜	12⅝	12⅜	
18⅝	15	AdaEx	2.11e	14		53	15⅜	15⅛	15⅛	
19⅝	12½	AdmMl	.28	2.1	6	22	13⅜	13½	13½	
22	13½	AdvSys	.611	5	15	22	15⅝	15½	15⅝	
16¾	7⅞	Advest	.12	1.4	11	22	8⅞	8¼	8⅞	+⅛
37½	25¼	AMD	.8		25	1623	31	30½	30⅞	+½
22⅞	9⅝	Aeroflex			12	38	12⅞	12⅝	12¾	-⅛
40⅝	25¼	AetnLf	2.64	8.8	18	842	29⅞	29¼	29¾	+⅛
108	69	AetnL	pf 2	8.0		1	68⅝	d66⅞	66⅞	-1⅞
35¾	15⅞	Ahmns	1.20	6.4	5	1175	18⅝	18⅝	18⅝	+¼
7⅞	2¼	Aileen				04	2⅞	2⅞	2⅞	-⅛
51	36½	AirPrd	1	2.4	10	342	42	41⅝	42	+⅜
30⅝	16	AirbFrt	.60	3.4	10	64	17¾	17¼	17¼	
5¾	1½	AlMoa	a			20	3¼	3¼	3¼	
27⅞	21	AlaP	pf2.15a	10		400	21¼	21	21	-⅛
32¾	26¾	AlaP	pfA3.92	14.		24	28	27⅝	28	+⅝

Continued on Page 27

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, July 3

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

Continued on Page 28

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 26

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21⅝	16½	Wymns	.60	3.4	10	34	18	17⅜	17½	
				X–Y–Z						
52⅞	35	Xerox	3	7.7	8	2186	39	38½	38⅞	+⅝
51¼	45¼	Xerox	pf5.45	12.		4	45¾	45½	45½	
37	21⅝	XTRA		2.8	9	87	22⅝	22¼	22¼	−⅜
34	24	ZaleCp	1.28	5.1	8	10	24½	24½	24½	−¼
24⅞	15½	Zapata	.84	4.9	10	1065	17¼	17	17	−⅛
47½	28⅞	Zayre	.40b	1.0	12	571	38⅝	37¼	38⅝	+1⅜
38⅝	22½	ZenithE			10	338	24⅛	23⅝	24⅛	
27½	18	Zero	s .36	1.7	17	297	21¼	20⅞	21	−¼
34	21¼	Zurnin	1.32	5.8	12	108	23	22½	22¾	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

July 3	Price Schg	+ or —
Creditanstalt	208	—1
Goesser	34d	—3
Interunfall	398	...
Laenderbank	206	+1
Perlmooser	342	...
Steyr-Daimler	141	—3
Veitscher Mag	217	—1

BELGIUM/LUXEMBOURG

July 3	Price Frs.	+ or —
ARBED	1,490	—15
Banq Int A Lux	5,03d	...
Bekaert B	3,900	...
Ciment CBR	2,330	...
Cockerill	230	...
Delhaize	4,735	—3
EBES	2,42d	...
Electrobel	6,600	—1d
Fabrique Nat	1,820	—3
GB Inno BM	3,105	—13
GBL (Brux)	2,200	—40
Gevaert	5,12d	—55
Hoboken	3,110	+10
Intercom	1,880	+40
Kredietbank	6,830	+10
den Hldgs	9,40d	...
Petrofina	6,340	—10
Royale Belge	9,103	+2d
Soc. Gen. Banq	3,050	—60
Soc. Gen. Belge	3,660	...
Sofina	6,000	—30
Solvay	3,690	—3
Tractionel	3,405	...
UCB	4,415	...
Vieille Mont	3,80d	+1d0

DENMARK

July 3	Price Kr. %	+ or —
Aarhus Olie	430	...
Andelsbanken	220d	—4
Baltic Skand	64d	+10
CopHandelsbank	226	—4
D. Sukkerfab	633	—5
Danske Bank	219	—3
East Asiatic	160	+1
Forenede Brygg.	860	...
Forenede Damp.	105xr	...
GNT Hldg	473	...
I.S.S.	525	...
Jyske Bank	464	—5
Novo Ind	2,280	...
Privatbanken	207	—6
Provinsbanken	997	...
Smidth (F)	225	—2
Sophus Berend.	980	+5
Superfos	443	—1

FRANCE

July 3	Price Frs.	+ or —
Emprunt 4½% 1973	1766	—10
Emprunt 7% 1973	9,704	+8
CNE 3%	3,620	+15
Air Liquide	512	+9
BIC	412	+1
Bouygues	639	—5
BSN Gervais	2,655	+2
CIT-Alcatel	1,129	—1
Carrefour	1,311	+9
Club Mediter'n	823	—18
CFAO	615	—5
Cie Bancaire	512	+10
Cofimeg	223	+0.5
Creusot Loire	25.5	...
Darty	926	+8
Dumez S.A.	644	+5
Eaux (Cie Gen)	530	+2
Elf-Aquitaine	937	+5
Gen. Occidentale	654	+3
Imetal	90	—0.6
Lafarge Coppee	360	—1.9
L'Oreal	9,415	+5
Legrand	1,915	+47
Maisons Phenix	210	—5
Matra S.A.	1,455	+25
Michelin B	795	—23
Midi (Cie)	1,710	+20
Moet-Hennessy	1,668	+19
Moulinex	103	—1
Nord Est	50.4	—0.5
Pernod Ricard	795	—6
Perrier	503	—4
Petroles Fra.	275.7	+10.7
Peugeot S.A.	210	—4
Poclain	42	+2.9
Printemps Au	142.5	—1.5
Radiotech	271	—9
Redoute	1075	+15
Roussel-Uclaf	3,297	+41
Schneider S.A.	88.5	...
Sefimeg	247	...
Skis Rossignol	1,295	+10
Telemech Elect.	1,639	+4
Thompson (CSF)	992	—6
Valeo	245	—1.5

GERMANY

July 3	Price Dm.	+ or —
AEG-Telef	95.3	—0.4
Allianz Vers	773	—7
BASF	133	—1.4
Bayer	160.3	—1.2
Bayer Hypo	277.3	—3.3
Bayer-Verein	317	—9
BHF-Bank	251	...
BMW	385.3	—12.5
Brown Boveri	218.3	—1.5
Commerzbank	154	—3
Cont'l. Gummi	128	+1.9
Daimler-Benz	567.2	—3.8
Degussa	389.7	—1.3
D'sche Babcock	157	+3
Deutsche Bank	343.5	+0.8
Dresdner Bank	154	—1.3
GHH	138	—4
Hochtief	678	...
Hoechst	163.5	—1.5
Hoesch Werke	110.3	...
Holzmann (P)	440.5	—1.5
Horten	183	—5
Kali und Salz	214.6	+1.6
Karstadt	252	—3
Kaufhof	229	+3.3
KHD	228.5	+3.15
Kloeckner	60.3	—1.3
Krupp	78	...
Linde	369	—4
Lufthansa	144	...
MAN	132.3	—0.5
Mannesmann	141.6	—0.7
Mercedes Hld.	474	—7
Metallgesell	290	—5
Muench Rueck	1,098	...
Preussag	265	—3
Rhein West Elect	139.2	—0.1
Rosenthal	238.3	...
Schering	557	—5
Siemens	390	—1.3
Thyssen	80.2	—2
Varta	175.5	+9
Veba	167.3	—0.7
V.E.W.	136.6	+0.1
Verein-West	222	—2
Volkswagen	187	—9.3

ITALY

July 3	Price Lire	+ or —
Banca Com'le	37,660	—60
Bastogi-IRBS	115	—9
Centrale	3,931	+23
Credito Varesino	4,005	+4
Fiat	3,900	—50
Finsider	38	—2
Generali Assicur	35,200	—350
Invest	3,160	...
Italcementi	47,010	—50
Montedison	1,160	...
Olivetti	5,065	+55
Pirelli Co	3,020	+4d
Pirelli Spa	1,622	—15
Snia BPD	1,543	—15
Toro Assic.	11,160	—330
do. Pref.	8,500	...

NETHERLANDS

July 3	Price Fls.	+ or —
AGF Holding	164	...
AEGON	136.8	—0.9
Ahold	178.5	—1
AKZO	66.9	—0.5
ABN	516.5	...
AMEV	167	...
AMRO	61	...
Bredero Cert	175	—5
Bos Kalis Westm	50	+0.2
Buehrmann-Tet.	66.7	+0.2
Calland Hldgs	66.7	...
Credit Lyon'is Bk	47.6	—0.2
Elsevier-NDU	91.5	—1.2
Gist. Brocades	340.6	+0.5
Heineken	398.5	+0.6
Hoogovens	49.9	—0.5
Hunter Douglas	28.2	+0.4
Int Mueller	34.1	—0.4
KLM	357.5	+0.6
Naarden	56.7	+0.1
Nat Ned Cert	231.2	+0.2
Ned Credit Bank	40	...
Ned Mid Bank	136.5	—3.5
Nedlloyd	132	+0.2
Oce Grinten	237	—1.5
Ommeren (Van)	27.5	—0.2
Pakhoed	67.3	+0.3
Philips	46.6	—1.8
Rijn-Schelde	2.6	—0.9
Robeco	61.1	—0.5
Rodamco	338.7	+0.1
Rolinco	57.8	...
Rorento	198.2	...
Royal Dutch	150.8	+1.3
Unilever	256.6	+5.4
VMF Stork	12d	...
VNU	153.7	+3.5
West Utr Bank	83	...

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

July 3	Price Kroner	+ or —
Bergen Bank	146	+1
Borregaard	233	+5
Christiania Bk	133	+1
Den Norske Credit	146	...
Elkem	322.3	+7.3
Norsk Data	272.5	—5.5
Norsk Hydro	580	+5
Storebrand	180	—2.5

SPAIN

July 3	Price Pts %	+ or —
Bco Bilbao	361	+7
Bco Central	335	...
Bco Exterior	207	+1
Bco Hispano	255	...
Bco Santander	321	+2
Bco Vizcaya	677	+2
Dragados	138	+9
Hidrola	58.2	+1.5
Iberduero	65.5	+9.3
Petroleos	137	—3
Telefonica	85	...

SWEDEN

July 3	Price Kronor	+ or —
AGA	348	+6
Alfa-Laval	243	+5
ASEA (Free)	307	...
Astra (Free)	403	+20
Atlas Copco	153	—3
Boliden	382	+6
Cardo (Free)	555	+11
Cellulosa	159	—3
Electrolux B	957	+4
Ericsson	321	+3
Esselte	281	—3
Mo Och Domsjo	380xa	...
Pharmacia	978	+48
Saab-Scania	410	+3
Sandvik	410	...
Skandia	375	+6
Skan Enskilda	535	...
SKF	199	+9
St. Kopparberg	673	...
Sven Handelsbn.	187	—2
Swedish Match	240	—2
Volvo B (Free)	255	+1.5

SWITZERLAND

July 3	Price Frs.	+ or —
Alusuisse	780	—3
Bank Leu	5,500	—90
Brown Boveri	1,330	...
Ciba Geigy	2,200	...
do. (Part Certs)	3,710	+10
Credit Suisse	2,070	...
Elektrowatt	2,570	—40
Fischer (Geo.)	603	—6
Genevoise	3,423	...
Hoff-Roche PtCts	85,500	—230
Hoff-Roche 1/10	2,550xr	...
Jacobs Suchard	6,230	+26
Jelmoli	1,720	+5
Landis & Gyr	1,306	+5
Nestle	5,040	—90
Oer-Buehrle	1,305	—35
Pirelli	249	+1
Sandoz (Br)	6,575	...
Sandoz (PtCts)	960	...
Schindler (PtCts)	570	...
Swissair	930	...
Swiss Bank	524	—4
Swiss Reinsce	7,450	+50
Swiss Volksbk	1,350	...
Union Bank	3,975	—10
Winterthur	9,870	+20
Zurich Ins	16,900	+150

AUSTRALIA

July 3	Price Aust $	+ or —
ANZ Group	4.73	...
Acrow Aust.	1.65	...
Alliance Oil D.	0.50	—0.01
Ampol Pet.	1.40	...
Aust Cons Ind	1.70	...
Aust. Guarant	2.45	...
Aust. Nat. Inds.	2.00	...
Aust. Paper	2.00	...
Bell Group	4.2	...
Bond Corp Hldgs	1.32	...
Boral	3.20	...
B'ville Copper	1.78	—0.02
Brambles Inds	2.80	...
Bridge Oil	2.10	...
BNP	9.32	—0.04
CRA	4.55	—0.05
CSR	3.2	—0.02
Carlton Utd	4.66	...
Castlemaine Tys.	4.8	—0.15
Coles (G.J.)	3.48	...
Comalco "A"	2.40	+0.05
Consolidated Pet	0.45	...
Costain Aust.	1.18	—0.02
Dunlop Aust.	1.9	+0.05
E.Z. Inds.	5.9	—0.02
Elders IXL	3.75	...
Energy Res.	1.45	—0.03

AUSTRALIA (continued)

HONG KONG

July 3	Price H.K.$	+ or —
Bank East Asia	19.8	—0.2
Cheung Kong	7.4	—0.1
China Light	11	—0.1
Hang Lung Devel	2.5	...
Hang Seng Bank	31.3	—3
HK Electric	3.4	...
HK Kowloon Wh.	6.22	—0.03
HK Land	2.57	—0.05
HK Shanghai Bk	5.2	...
HK Telephone	43	...
Hutchison Wpe	10	...
Jardine Math	7.8	—0.1
New World Dev.	9.85	—0.3
Orient O'seas	2.2	—0.02
O'seas Trust Bk.	2.75	...
SHK Props	3.55	...
Swire Pac A	13.4	—0.1
Wheel'k Mard A	2.97	...
Wheel'k M'time	1.9	...
World Int. Hldgs.	1.8	—0.03

JAPAN

July 3	Price Yen	+ or —
Ajinomoto	1,150	...
Alps Electric	2,000	...
Amada	1,080	—10
Asahi Chem	625	—3
Asahi Glass	729	—3
Bridgestone	373	—10
Canon	1,180	—10
Casio Comp	1,180	—90
Chugai Pharm	977	—4
Citizen	470	—6
Daiei	670	—10
Dai Nippon Ptg	913	—19
Daiwa House	598	—7
Ebara	325	...
Eisai	888	—91
Fanuc	7,970	—10
Fuji Bank	925	...
Fuji Film	1,570	—30
Fujisawa	935	—15
Fujitsu	1,250	+10
Green Cross	1,620	—10
Hasegawa	360	+1
Haiwa Real Est.	556	+1
Hitachi	825	—10
Hitachi Credit	3,350	—10
Honda	3,170	—30
House Food	745	...
Hoya	1,840	—30
Itoh (C)	291	...
Ito Yokado	1,180	+20
Iwatsu	1,330	—90
JACCS	350	+9
JAL	3,320	+20
Jusco	859	+8
Kajima	278	...
Kao Soap	783	...
Kashiyama	608	...
Kirin	667	—10
Kokuyo	974	—7
Komatsu	479	—1
Konishiroku	575	...
Kubota	304	—4
Kumagai	480	...
Kyoto Ceramic	6,22d	+70
Maeda Const.	497	—1
Makino Milling	1,220	...
Makita	980	...
Marubeni	365	—9
Marudai	638	—2
Marui	1,310	...
MEI	1,630	—20
M'ta Elec Works	638	—2
M'bishi Bank	915	...
M'bishi Corp	541	—3
M'bishi Elec	381	—3
M'bishi Estate	481	—6

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 30

CANADA

TORONTO

Prices at 2.30 pm

July 3

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 27

Indices

NEW YORK DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

TORONTO

MONTREAL Portfolio

These securities were offered and sold outside the United States.
This announcement appears as a matter of record only.

U.S. $75,000,000

Vizcaya International N.V.

Guaranteed Floating Rate Notes Due 1996

(Redeemable at the option of Noteholders in 1992 and 1994)

Unconditionally Guaranteed by

Banco de Vizcaya, S.A.

Lehman Brothers International
Shearson Lehman/American Express Inc.

Orion Royal Bank Limited

Mitsubishi Finance International Limited

Arab Banking Corporation (ABC) — BankAmerica Investment Banking Group

Bank of Tokyo International Limited — Bankers Trust International Limited

Banque Bruxelles Lambert S.A. — Banque Paribas — Barclays Bank Group

Chemical Bank International Group — County Bank Limited

Fuji International Finance Limited — Gulf International Bank B.S.C.

Kidder, Peabody International Limited — Korea Exchange Bank

LTCB International Limited — Mitsui Finance International Limited

Morgan Grenfell & Co. Limited — The National Bank of Kuwait S.A.K.

Nippon Credit International (Hong Kong) Ltd

Sanwa Bank (Underwriters) Limited — Société Générale

Standard Chartered Merchant Bank Limited — Sumitomo Finance International

Svenska Handelsbanken Group — Swiss Bank Corporation International Limited

May, 1984

The Bermuda Housing Corporation

U.S. $75,000,000

Medium-term credit facility

Guaranteed by

The Government of Bermuda

ARRANGED BY:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

FINANCED BY:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
THE BANK OF NOVA SCOTIA
NATIONAL WESTMINSTER BANK GROUP
ORION ROYAL BANK LIMITED
N. M. ROTHSCHILD & SONS LIMITED
UNION BANK OF SWITZERLAND

AGENT:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

This announcement appears as a matter of record only. *May 1984*

SOLVAY in 1983:

Continued expansion. The Group's profitability surged and consolidated net results doubled.

Confirmed recovery
1983 saw most sectors of activity emerging from the recession, with a marked improvement in the chemical industry.
The favourable international business climate greatly contributed to the financial strengthening of many chemical concerns during the year.
On top, rationalization of the industry was carried out through restructuration and reorganization of activities and steps wera taken to improve efficiency in energy consumption and manpower utilization.

Efforts continue to pay off
The favourable effect of measures takan by Solvay in these fields became apparent in 1982 and persisted in 1983, to the advantage of results for the year. In addition, some beneficial factors intervened to put the plastics sector back on its feet again: industry-wide restructuring, undertaken in the European chemical industry since 1982; recovery of PVC prices in Europe and increased demand, most notably for polyolefins.
The Group's plastics processing business also expanded, with sales of decoration and "do-it-yourself" products, as well as car parts, improving.
Profits from operations in basic chemicals, most of which had been spared the ill effects of the 1982 crisis, were at a satisfactory level.

Keys to the Group's success
One of the Group's chief strenghts is its presence in the heavy chemicals business, with manufacturing facilities well adapted to markets, whether they be located in Europe or overseas
Another important Group asset is the traditional Solvay high technology know how, guaranteeing continuous improvement in production processes, thereby securing numerous entries into upcoming growth areas.

R & D to break new ground
The Group's laboratories ensure a permanent renewal of the product range by substitution of new for old items. This explains Solvay's progress in the pharmaceutical and animal health sectors, as well as in *speciality chemicals and plastics, less sensitive to economic trends.*
Solvay is actively engaged in biological sciences and biotechnology. It recently set up a genetic engineering laboratory, where genetic scientists work on industrial applications of biochemical developments, in co-operation with American universities *and the Paris Institut Pasteur.*

A promising future
The Solvay Group has proved its ability at mastering technological development and economic constraint. More challenges lie ahead but Solvay and its highly motivated and qualified staff will pursue all efforts *required to meet whatever the future has* in store.

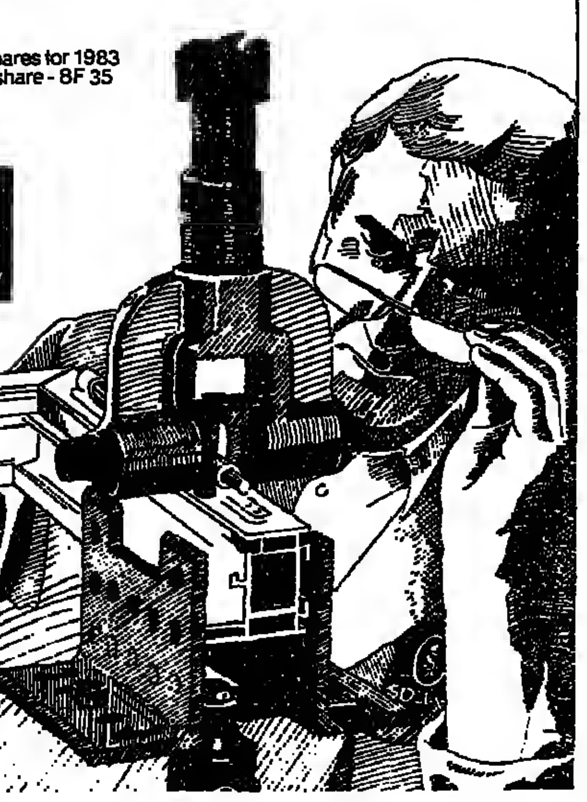
Dividend up again
The net return on Solvay shares for 1983 is BF 235 per fully paid up share - BF 35 more than for 1982.

Key figures

In millions of BF	*1983*	*1982*
Sales	198,742	177,794
Research expenditure	6,498	5,988
Personnel expenditure	49,483	47,129
Capital expenditure	7,942	7,025
Group's consolidated net result	5,246	2,593
Solvay & Cie's net result	2,962	2,200
in units		
Persons employed	44,186	45,369

The Annual Report of Solvay & Cie is available in French, Dutch, English and German, on request from: Secretariat Général de Solvay & Cie Rue du Prince Albert 33, B - 1050 Brussels

S
SOLVAY



KREDIETBANK

Higher Net Profit and increased Net Dividend

Some key figures from the balance sheet at 31 March

(in millions of Belgian francs)	1984	1983	1980	1975
Capital, reserves and subordinated loans	**22,510**	17,272	14,826	7,476
Working funds	**670,711**	597,569	391,834	185,929
Credit to the				
• private sector	**297,053**	275,942	201,519	90,681
• public sector	**256,355**	205,597	135,141	70,766
Profit for the financial year	**1,912**	1,703	1,735	950
Balance-sheet total	**729,710**	646,337	429,880	207,138
Net dividend (BEF)	**387**	365	355	245
Staff	**8,800**	8,566	8,433	8,035
Number of branches	**759**	755	739	694

Useful addresses

Head office
Arenbergstraat 7, B-1000 Brussels (Belgium)

Branches
759 branches in Belgium
Abroad
Kredietbank New York Branch, 555 Madison Avenue, 5th floor, New York, N.Y. 10022
Kredietbank Depositary Agency, Crocker Center Tower 1, Suite 3940, 333 S. Grand Avenue, Los Angeles, Ca. 90071-3198
Kredietbank Grand Cayman Branch, P.O. Box 694, Georga Town, Cayman Islands
Kredietbank (O.B.U.) Bahrain, Salahuddin Building, P.O. Box 5456, Manama, Bahrain

Subsidiaries
In Belgium
Crédit Général S.A. de Banque, Grote Markt 5, B-1000 Brussels
Hypotheek- en Spaarmaatschappij van Antwerpen, Mechelsesteenweg 176-178, B-2000 Antwerp
Bemab N.V., Torengebouw, B-2000 Antwerp
Ateka N.V., Torengebouw, B-2000 Antwerp
Abroad
Irish Intercontinental Bank Ltd, 91 Merrion Square, Dublin 2
IIB-Finance, 91 Merrion Square, Dublin 2
Bankverein Bremen AG, Wachtstrasse 16, Postfach 107420, D-2800 Bremen 1
S.A. Gestion KB Income Fund, 37 rue Notre-Dame, Luxembourg
S.A. Gestion KB Capital Fund, 37 rue Notre-Dame, Luxembourg
Eurinvest, 37 rue Notre-Dame, Luxembourg
KB Internationale Financieringsmaatschappij, Eduard van Beinumstraat 2, 1077 XT Amsterdam

Associated Banks
Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, Luxembourg
Kredietbank (Suisse) S.A., 7 Boulevard Georges-Favon, CH-1211 Geneva 11

Representative offices
In the USA (4 centres), Australia, South Africa, Mexico, Japan, Brazil, Iran, Venezuela, Hong Kong, Spain and Great Britain.

Member of the Inter-Alpha Group of Banks

A copy of Kredietbank's 1983-1984 annual report can be obtained from the following address:
KREDIETBANK
Public Relations Department
Grote Markt 19, B-1000 Brussels

WORLD STOCK MARKETS

OVER-THE-COUNTER

Stock		Sales (Hnds)	High	Low	Last	Chng
Mylan s	.05	297	[illegible]	27	[illegible]	[illegible]

Continued from Page 28

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Blockleys	515	+25
GEC	194	+ 4
Glass Glover	198	+ 6
Meadow Farm	155	+ 8
Mercury Secs	450	+25
Midland Bank	305	+ 7
NatWest Bank	608	+18
Rowton Hotels	302	+20
Telemetrix	335	+13
Union Discount	690	+30
Vantona Viyella	220	+10
Ward & Goldst.	120	+ 6
Willis Faber	675	+38
Floyd Oil	95	+ 7
Imp. Cont. Gas	299	+18
Invent Energy	393	+22
Southern Res.	66	+ 5

FALLS

Ex 12pc 2013/17	£111⅛	−£⅛
Tr. 2½pc i/l 2020	£84⅞	−£⅞
Blue Circle	397	− 8
BAe	365	− 5
Federated Hsg.	40	− 8
Intasun Leisure	93	−15
SGB	118	− 8
S&N Breweries	125	− 4
Thorn EMI	505	− 8
Bracken	185	−17
Deelkraal	278	−28
Randft. Ests	£104½	−£3
RTZ	577	−10

LONDON STOCK EXCHANGE

MARKET REPORT

Drab markets enlivened again by heavy trade in newcomer Enterprise Oil

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 18	June 28	June 29	July 9
July 2	July 12	July 13	July 23
July 16	July 26	July 27	Aug 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Fresh sterling weakness, higher interest rates and the mineworkers' deadlock combined to undermine investment confidence yesterday. London markets drifted lethargically throughout the session with Government securities leading the way lower. Leading shares began the day a shade firmer, but they too succumbed and the FT Industrial Ordinary share index settled 0.8 down after posting a rise of 1.2 at 10.00 am.

The lack of any guide from Wall Street—slightly easier overnight ahead of the Independence Day holiday and Treasury refinancing operations — was another deterrent. Investors were concerned over harder UK money market rates, although the authorities continued to resist pressures for higher base lending levels by again keeping their dealing rates down.

Gilt-edged dealers reported only sporadic offerings of conventional and index-linked issues. With buyers extremely shy, however, the sales produced falls among longer-dated stocks ranging to ¾ before they were reduced to the after-hours' business. Selected low coupon shorts provided exceptions to the trend, rising ¼ in places on revived specialist demand.

For the second successive day, Enterprise Oil was easily the heaviest traded stock. Renewed strong support for the former state-owned oil group made little impression on the share price, which remained at par in 100p-paid form, but aroused further excitement. Hard on the heels of the RTZ partial offer for 32m shares at a minimum tender price of up to 110p, private insurance group Norwich Union announced that it held a near-10 per cent stake, or 21.1m shares. Of these 2.6m were taken up as part of the underwriting and the remainder acquired through market purchases.

GEC were another active counter. Immediately following the group's preliminary results —pre-tax profits of £671m compared with analysts' projections of £680m—GEC fell to 183p. The accompanying proposal to buy back its shares, however, later aroused interest and the price rebounded to close a net 4 up on balance at 194p.

Midland below best

Continuing its revival since the Board's denial last Friday of an impending interim dividend cut, Midland closed a further 7 better at 305p, after 307p, following Press suggestions that it may shrink its balance sheet and raise capital through asset sales to avoid pressure for a possible rights issue or dividend reduction. Other major clearers also advanced in continued response to Argentina's US$450m package of interest repayments. NatWest jumped 18 to 608p, Barclays 10 to 473p and Lloyds a few pence to 448p. Discount Houses were good again on hopes of further mergers within the sector. Union stood out at 690p, up 30, while Seccombe Marshall and Campion added 10 at 315p and Clive 3 at 58p. Among merchant banks, Mercury Securities rose 25 to 450p after comment on the results. Kleinwort Benson found support at 370p, up 13, while Leopold Joseph, 265p, and Schroders, 725p, gained 15 apiece.

Well supported since an analyst's meeting, Lloyds brokers encountered renewed buying on consideration of the sector's dollar earnings potential. News of the proposed cancellation of the 7 per cent Preference shares for a cash consideration of 125p per share left Willis Faber 28 higher at 875p, after 880p. Ahead of today's annual meeting, C. E. Heath put on 3 to 455p, after 458p. Stewart Wrightson firmed 8 to 388p and Windsor Securities hardened 2 to 43p, after 47p.

Despite reporting a better-than-expected 34 per cent annual profits increase, Scottish and Newcastle gave up 4 at 125p on profit-taking; the shares have responded recently to revived takeover speculation following the group's abortive attempt to acquire Hartlepool based brewer J. W. Cameron from Ellerman Holdings.

The Building leaders traded with an easier bias. Blue Circle fell 8 to 397p after comment in the Financial Times about Irish cement companies' plans to increase their penetration of the UK cement products market. Tarmac shed 4 to 420p on lack of interest and BPB Industries slipped 3 to 245p. Secondary issues were irregular. Whatlings firmed 5 to 121p on hopes of a counter to Marchwiel's 112p per share cash offer, but Federated Housing shed 8 to a 1984 low of 40p reflecting its large stake in Crouch Group which, on Monday, called in a receiver. Comment on the interim results left SGB 8 down at 116p, after a low for the year of 114p, while the absence of any fresh bid developments clipped 4 from William Leech at 143p. Edward Jones firmed 3 to 27p on revived speculative interest, while UBM rose 3 for a two-day gain of 7 to 145p on hopes that Norcros may eventually return with a fresh bid. Nottingham Brick improved a couple of pence to 117p and Ibstock Johnsen firmed 3 to 189p. Baggeridge Brick hardened 2 to 158p and Blockleys moved up 25 to 515p, the latter in a restricted market.

ICI opened higher at 572p on sterling influences and thereafter traded quietly around the enhanced level prior to closing a net 4 dearer at 570p; the interim results are due on July 26.

Vantona Viyella up

Vantona Viyella responded smartly to the doubled interim profits and touched 222p before closing at 220p for a net rise of 10. Elsewhere in Stores, Woolworth revived with a gain of 16 at 463p, while Burton put on 3 to 254p and Marks and Spencer hardened a penny to 221p. Lee Cooper firmed 5 to 112p and Alfred Preedy improved a couple of pence to 118p.

Apart from the flurry of activity in GEC, leading Electricals traded quietly. Thorn-EMI drifted off to close 8 cheaper at a new low for the year of 505p awaiting next week's annual results. Ferranti, still reflecting hopes of a bid from Plessey, put on 10 further to 675p, but Hong Kong uncertainties unsettled Cable and Wireless, 5 cheaper at 313p. Comment on the preliminary figures prompted renewed firmness in Ward and Goldstone, which advanced 6 more to 120p. Telemetrix were noteworthy for a rise of 13 to 335p, while gains of 4 were recorded in Bowthorpe, 287p, and Dataserv, 83p.

Movements in the Engineering sector rarely exceeded a couple of pence. Davy Corporation continued to make headway awaiting the preliminary figures and put on 3 further to 62p. Brown and Tawse edged up 2 to 125p following news that Caparo Industries had increased its stake to 15.2 per cent. Smaller-priced issues to improve included Richardsons Westgarth, 2½ firmer at 23p, and Neepsend, 1¼ higher at 15½p, the latter ahead of Friday's preliminary statement.

Among Food retailers, recently-overlooked Associated Dairies revived 4 to 168p, while Argyll, still reflecting the good results, gained the same amount at 161p. Tesco hardened a penny to 159p following the chairman's annual statement. Elsewhere, Glass Glover rose 6 to 188p in reply to the good interim results and confident statement, while USM-quoted Meadow Farm Products, 8 up at 155p, met with support in front of today's annual results. Rowton Hotels jumped 20 to 302p on news that Jersey-based Rushlake Investments, in which London hotelier Mr Nurdin Jivraj has a 50 per cent interest, has acquired a 54.66 per cent holding from Gresham House; the latter were 10 better at 205p.

BAe dip and rally

Leading miscellaneous industrials fluctuated narrowly before settling with small irregular movements on balance. Hanson Trust, a relatively firm market of late, eased 4 to 216p. Elsewhere, British Aerospace fell away to 358p on the absence of bid developments, but rallied to close only 5 cheaper on balance at 365p. Smiths Industries, which recently announced the sale of two subsidiaries to GKN, continued firmly and put on 7 further to 535p. Occasional demand left Christies International 6 to the good at 394p, while Inter-City improved 2½ to 31p with the help of option demand. Still reflecting favourable Press mention, Centreway improved 3 more to 40p. Rolfe and Nolan rose 10 to 155p, while renewed support left Cosalt 3 dearer at 68p. In contrast, sporadic offerings prompted a fall of 10 to 308p in Associated Heat and a loss of 8 to 212p in Brammer. English China Clays, 2 easier at 213p, failed to benefit from the sale of its wholly-owned subsidiary, IDF International, for around £42.8m.

Holiday concern Intasun fell 15 to 83p following disappointing annual results and warning that pressure on margins will result in a significant adverse effect on the group's future profits. Horizon Travel shed 3 to 130p in sympathy.

Boosted initially by brokers Hoare Govett's optimistic quarterly survey on the sector, leading Properties failed to attract follow-through support and drifted back to close with minor falls. Land Securities settled a couple of pence cheaper at 288p, after 292p, as did MEPC, at 298p, after 302p. Capital and Counties gained the turn to a 1984 high of 193p on the proposed £30m rights issue of convertible stock. Lynton gained 7 to 287p; the company currently appears on brokers Phillips and Drew's list of property concerns viewed as potential takeover candidates. Sterling Guarantee were a firm market and closed 1¼ better at 49½p, while Greycoat City Offices hardened 2 to a 1984 high of 190p.

Shippings were inclined easier. P & O Deferred drifted 3 lower to 297p and Ocean Transport lost 2 at 122p.

Bats closed 4 better at 225p following details of the group's further expansion of its non-tobacco interests via a £61m purchase of a U.S. paper mill. Imps softened the turn to 153p on lack of interest.

IC Gas advance

The oil sector continued to make progress, albeit in relatively thin trading. Apart from Enterprise Oil, IC Gas held centre-stage as better-than-expected preliminary results were followed by strong buying interest which lifted the shares 18 to 298p. Leading issues were a shade firmer throughout the day and attracted a fair amount of support in the after-hours' trade. Shell and Ultramar added around 7 apiece at 637p and 273p respectively, while BP rose 4 more to 467p and Britoil a further 3 to 235p. The go-ahead for the Humbly Grove oil field and proposed increase in production at Wytch Farm boosted Carless Capel a couple of pence to 220p and Clyde Petroleum 5 to 105p. Elsewhere, Invent Energy jumped 22 more to 383p —a two-day gain of 43—following the encouraging report from the Paris Basin.

Golds under pressure

Gold and gold-related sectors of mining markets suffered another setback as a further decline in the bullion price and a fresh downturn in the Rand rate against the dollar prompted renewed and sometimes persistent selling pressure.

The majority of the business was thought to have emanated from Johannesburg and was only partly offset by modest "cheap" buying from London and Continental sources.

The Gold Mines index dropped 20.6 more to 606.3—a two-day fall of 38.6 and its lowest level since May 14. The bullion price retreated $2.5 to a five-month low of $368.25 an ounce.

Top quality Golds were highlighted by Randfontein, which gave up £3 at £104½ and Vaal Reefs, £2½ off at £86, while cheaper-priced issues showed Bracken 17 down at a 1984 low of 185p and Deelkraal 23 easier at 278p.

Financials remained on the retreat, influenced by the latest downturn in Golds and the Rand rate. De Beers lost 9 further to 485p, extending the decline over the past three trading days to one of 22; the half-year diamond sales figure is expected early next week. Gencor fell 1 to a 1984 low of £13½ and Minorco 10 to a low of 560p. Among the London-registered Financials, Rio Tinto-Zinc dropped 10 to 577p, after 578p, while Consolidated Gold Fields closed a net 7 off at 530p, after 527p. Charter Consolidated eased 2 to 195p, but Hampton Areas were finally 3 harder at 163p, after 166p, following the deal with Rhone-Poulenc Chemicals.

Australians remained depressed in line with the tone in overnight Sydney and Melbourne markets. Leading stocks were usually a few pence easier across the board, but Golds weakened afresh with GMK 15 off at a 1984 low of 515p and Whim Creek a similar amount down at 204p. Southern Resources provided a lone firm feature, moving ahead to close 5 up at 66p ahead of a rumoured report.

Contracts transacted in Traded Options totalled 3,057—a marked improvement on the previous day's modest total of 1,901. GEC attracted 533 calls and 198 puts following the annual results. The FTSE 100 claimed a fair amount of attention with 229 calls and 461 puts arranged—346 in the September 1,025 level.

FINANCIAL TIMES STOCK INDICES

	July 3	July 2	June 29	June 28	June 27	June 26	A year ago
Government Secs	78.09	78.28	78.43	78.40	78.43	82.59	81.03
Fixed Interest	82.31	82.40	82.44	82.50	82.59	83.59	83.79
Industrial Ord	821.3	822.1	817.2	807.1	816.2	806.2	691.8
Gold Mines	606.3	626.9	644.9	642.4	641.2	627.7	629.0
Ord. Div. Yield	4.83	4.82	4.84	4.80	4.85	4.91	4.62
Earnings, Yld.% (full)	11.22	11.21	11.26	11.40	11.22	11.42	9.16
P/E Ratio (net) (*)	10.71	10.72	10.67	10.54	10.65	10.52	13.56
Total bargains (Est.)	17,630	12,669	16,792	15,201	18,465	15,507	23,224
Equity turnover £m.	—	213.25	263.72	127.80	202.00	212.41	168.29
Equity bargains	—	13,327	15,158	12,544	12,364	15,660	17,177
Shares traded (ml)	—	152.6	145.5	116.7	132.9	154.7	114.9

10 am 823.3. 11 am 822.4. Noon 821.2. 1 pm 820.0. 2 pm 820.0. 3 pm 820.2.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.24.

HIGHS AND LOWS

—	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	83.77 (9/1)	77.86 (30/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed. Int.	87.48 (14/3)	82.31 (3/7)	156.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	922.8 (3/5)	770.3 (4/1)	922.8 (3/5/84)	49.4 (26/6/40)
Gold Mines	711.7 (9/3)	620.2 (17/1)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	July 2	June 29
Daily		
Gilt Edged Bargains	148.1	138.5
Equities Bargains	86.3	98.2
Equities Value	431.0	518.9
5-day Average		
Gilt Edged Bargains	144.3	146.2
Equities Bargains	86.9	86.4
Equities Value	407.7	382.7

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (27)

COM'WEALTH & AFRICAN LOANS (1)
S. Rhodesia 4pc 1987-92 Assd.

AMERICANS (4)
City Inv. General Foods
Esmark Shell Oil

BANKS (1)
Bank of Scotland

BUILDINGS (4)
Bett Bros. Finlan (John)
Blockleys Whatlings

STORES (2)
Aquascutum A Ramar Textiles

ENGINEERING (2)
Hampson Inds. Lee (Arthur)

HOTELS (1)
Sowton Hotels

INDUSTRIALS (4)
Continental Group Johnsen Jorgensen
IC Inds. TSL Thermal Synd.

INSURANCE (3)
Heath (C. E.) Windsor Securities
Willis Faber

MOTORS (1)
Volvo A2

PROPERTY (3)
Capital & Counties Haslemere Estates
Greycoat City Offices

TRUSTS (1)
Camellia Invs.

NEW LOWS (56)

BRITISH FUNDS (4)
INT. BK. & O'SEAS GOVT. STLG. ISS. (1)
Aust. 13½pc 2010

LOANS (1)
Nationwide Bldg. Soc. 9¼pc 15.4.85

AMERICANS (3)
Continental Illinois U.S. Steel
ITT Corp.

BUILDINGS (6)
BPB Inds. Ruberoid
Burnett Hallamshire SGB
Federated Housing Travis & Arnold

CHEMICALS (2)
BASF Leigh Interests

ELECTRICALS (3)
Imtec Thorn EMI 7pc Cnv. Pf 1992-09
Thorn EMI

ENGINEERING (1)
Davies & Metcalfe A

FOODS (1)
Tate & Lyle

HOTELS (1)
Strikes Restaurants

INDUSTRIALS (5)
Assoc. Heat Serv. Jardine Matheson
Chemical Methods Jourdan (T.)
Cornell

INSURANCE (1)
Liberty Life Assoc. of Africa

LEISURE (2)
Intasun Leisure Owners Abroad

PROPERTY (2)
Grosvenor Sq Props HK Land

SHIPPING (1)
Reardon Smith

SOUTH AFRICANS (1)
Barlow Rand

OILS (2)
Aran Energy Global Nat. Res.

MINES (9)
Bracken GM Kalgoorlie
Stilfontein Sons of Gwalia
Gencor Southern Goldfields
Minorco Homestake Mining
ACM

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues July 3 1984 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Mon July 2 Index No.	Fri June 29 Index No.	Thur June 28 Index No.	Wed June 27 Index No.	Year ago (approx.) Index No.
[illegible]										

FIXED INTEREST

PRICE INDICES	Tues July 3	Day's change %	Mon July 2	xd adj. today	xd adj. 1984 to date
[illegible]					

AVERAGE GROSS REDEMPTION YIELDS	Tues July 3	Mon July 2	Year ago (approx.)
[illegible]			

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p. Details of recent constituent changes in the Debenture/Loans and Preference indices are available on request.

EUROPEAN OPTIONS EXCHANGE

Series	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS 12,299

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price p	+ or –	Net Div.	Times covered	Gross yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+ or –
[illegible]							

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price p	+ or –
A57.5	A$4	2/5	543	366	Broken Hill PropA$2	366	–4
80	Nil	17/8	17pm	10pm	Canning (W.)	17pm	+1
410	Nil	17/8	450	415	Carter Allen £1	450	+10
235	Nil	1/8	38pm	29pm	Cookson 50p	29pm	
19	Nil	11/8	4pm	2½pm	Hyman (I & J) 5p	2½pm	
191	F.P.	28/6	217	198	Ladbroke 10p	206	......
30	Nil	13/8	22pm	16pm	Marshall's Universal	18pm	–1
120	F.P.	25/6	236	183	‡Midsummer Inns £1	238	......
S0.85	Nil	27/6	36pm	19pm	North Kalgurli	23pm	–2
A$4	A$2	—	248pm	122pm	Santos A0.25c	230pm	......
250	Nil	9/8	90pm	80pm	‡Saxon Oil	80pm	–5
336	Nil	13/8	60pm	50pm	Systems Designers 5p	50pm	......
45	Nil	24/8	10pm	10pm	Unilox 10p	10pm	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment letters (or fully-paid). ‖‖ Introduction. ‡ Unlisted Securities Market. § Placing price. †† Official London Listing. ‡ No par value.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 25	July 6	Sept 27	Oct 8
July 9	July 20	Oct 11	Oct 22
July 23	Aug 3	Oct 25	Nov 5

For rate indications see end of Share Information Service

Stocks to attract money for the call included John Brown, Blackwood Hodge, C.H. Industrials, Racal, Select TV, Vantona Viyella, Riley Leisure, Inter-City, Atlantic Resources, Eglinton. Puts were arranged in British Aerospace and Midland Bank, but no double options were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	87	5	2
Corpns. Dom. and Foreign Bonds	2	35	43
Industrials	236	184	986
Fin. and Props.	93	66	361
Oils	30	15	75
Plantations	3	2	15
Mines	79	13	83
Others	82	56	110
Totals	612	377	1,682

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BP	467	+ 4
Enterprise Oil New	100	—
GEC	194	+ 4
Heath (C. E.)	455	+ 3
Imp Cont Gas	298	+18
Intasun Leisure	83	–15
Kleinwort Benson	370	+13
Land Securities	288	– 2
Scot & Nwcstl Brews	125	– 4
Union Discount	690	+30
Vantona Viyella	220	+10
Ward and Goldstone	120	+ 6

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Enterprise Oil N	28	100	—
Centreway Inds	14	37	+ 7
Invent Energy	14	361	+21
BTR	13	445	+10
RTZ	12	587	+ 2
App Holographics N	11	175	–13
Ferranti	11	665	+15
Legal & Gen.	10	445	+12
Cns Gold Flds	9	537	– 5
Eng China Clys	9	215	+ 5
Glaxo	2	865	—
Midland Bank	9	298	+ 6
Moss Bros	0	310	– 2
Royal Ins	9	465	+ 5

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
B.P. (*463)	420	50	66	—	2½	8	—
	460	18	37	50	12	25	30
	500	7	22	63	40	62	62
	550	8	10	20	88	[illegible]	[illegible]
Cons. Gold (*528)	460	77	—	—	8	[illegible]	[illegible]
	500	40	55	62	7	[illegible]	[illegible]
	550	15	28	37	30	[illegible]	[illegible]
	600	5	14	20	77	[illegible]	[illegible]
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
LASMO (*270)	260	32	42	52	9	13	18
	280	22	32	40	16	25	28
	300	12	26	32	35	38	43
[illegible]							

July 3. Total Contracts 3,057. Calls 2,095. Puts 962.

*Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	1984 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100 17/32	100 1/32	Treas 12pc 1984	100 17/32	–1/32	11.94	9.08
105⅜	102⅝	Treas. 15pc 1985	102⅞	–1/16	14.58	10.07
102⅛	101⅛	Exch. 12pc Cnv. '85	101¼	–1/16	11.85	10.04
95⅜	93⅞	Treas 3pc 1985	94½	+1/16	3.17	9.81
102⅝	100 11/32	Treas 11½pc 1985	101 5/32	–1/16	11.39	10.47
99⅜	97½	Treas 8¾pcCnv '85	97¾	.....	8.95	10.76
104 1/16	101⅛	Exch. 12¼pc 1985	101 9/32	–⅛	12.06	10.92
103 13/32	100 1/32	Exch. 11¾pc '86	100¾	–1/16	11.66	11.09
102 5/16	97 13/16	Treas. 10pcCnv 1986	97 13/16	–1/16	10.22	11.15
90 1/16	88¼	Treas 3pc 1986	90 3/16	+1/16	3.32	8.94
102	98⅝	Exch. 10½pc Cv '86	98 11/16	.....	10.64	11.26
104 1/16	100⅞	Treas 12pc 1986	101	–1/16	11.88	11.39
98¼	94½	Treas 8½pc 1984-86‡‡	95 5/16xd	–1/16	8.91	11.17
108 15/16	104 3/16	Exch. 14pc 1986	104 7/16	–⅛	13.41	11.71
87⅝	85	Exch. 2½pc 1986	86⅛	.....	2.89	8.96
107 15/16	103⅛	Exch. 13¼pc 1987	103⅛xd	–⅛	12.83	11.72
100⅞	96½	Treas 10¼%Cv '87	96¾	+1/16	10.59	11.70
86⅜	83⅜	Exch 2½pc 1987	84⅛	+1/16	2.96	9.41
101 1/16	96 11/16	Exch. 10½pc 1987	95¾	–1/16	10.85	11.88
92 11/16	88⅛	Funding 6½pc '85-87‡‡	88 5/16	+1/16	7.35	11.38
99⅞	95 5/16	Treas. 10pc 1987	95⅜	–1/16	10.48	11.90
85	81 5/16	Treas 3pc 1987	83 5/16xd	+¼	2.60	9.47
105	100 3/16	Treas. 12pc 1987	100 5/16	–1/16	11.97	11.88
94⅞	89⅛	Treas 7¾pc 1985-88‡‡	89 5/16xd	+¼	8.67	11.44
100¼	95½	Exch 10½pc '88	95 13/16	–1/16	10.96	11.86
98 1/16	91 11/16	Treas 9¾pc Cv '88	93 5/16	–1/16	10.46	11.96
82	77	Transport 3pc '78-88	79⅜xd	.....	3.78	9.10
96 13/16	91 5/16	Treas. 9½pc '88	91¾	–1/16	10.35	11.98
106¾	98 5/16	Treas 11½pc 1989	98 5/16	–1/16	11.70	12.00
95 5/16	90 15/16	Treas 9½pc Cnv. '89	91 5/16	–1/16	10.41	11.96
95½	93⅝	Treas 10½pc 1989	94 5/16	–1/16	11.10	11.96

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australians

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
25	11	♥Admiral Mines	11	......	—	—	—
73	55	♥Anglo-Dominion	57	......	—	—	—
73	42	♥Anglo Utd. Dev.	43	......	—	—	—
370	210	♥Centennial Min'ls.	250	−15	—	—	—
175	100	♥Colby Res Corp	100	......	—	—	—
955	740	Cons. Murch. 10c	750	......	†Q100c	1.4	7.4
£20¼	£15	Eastern Trns. Cos. 50c	£17xd	−1	Q90c	ϕ	2.9
For Echo Bay Mines see Canadians							
752	180	Hampton Areas 10p	186	+6	3.75	ϕ	2.7
205	160	♥Highwood Res	170	......	—	—	—
£24½	£18¾	Homestake Mining $1	£18¾	−⅛	Q20c	—	0.8
365	275	Northgate C$1	285	......	—	—	—
718	565	RTZ	577	−10	18.0	2.5	4.5
£156½	£128½	Do 9½pcLn '95-2000	£128½	−3	Q9½%	35.4	7.7
110	55	♥Sabina Inds C$1	63	......	—	—	—
£11¼	875	♥Taro Exptn $1	887	+12	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 163(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	80	......
Craig & Rose £1	750xd	......
Finlay Pkg. 5p	43	......
Higsons Brew	83	......
Holt (Jos) 25p	880	......
IoM Stm. £1	132	......
IRISH		
Exch. 12% 1985	£99	......
Nat. 9¾% 84/89	£84⅞	......
Fin. 13% 97/02	£94⅝	......
Alliance Gas	65	......
Arnott	223	......
CPI Hldgs	85	......
Carroll Inds.	103xd	......
Hall (R. & H.)	55	......
Heiton Hldgs.	18	......
Irish Ropes	42	......
Jacob (W. & R.)	65	......
TMG	50	......
Unidare	80	......

OPTIONS — 3-month call rates

Industrials	
Allied-Lyons	15
BOC Grp	27
BSR	26
Babcock	17
Barclays Bank	45
Beecham	32
Blue Circle	40
Boots	16
Bowaters	25
Brit Aerospace	20
BAT	15
Brown (J.)	3
Burton Ord	22
Cadburys	11
Comm Union	16
Courtaulds	11
Debenhams	14
Distillers	22
Dunlop	5
FNFC	6¼
Gen Accident	42
Gen Electric	16
Glaxo	70
Grand Met	30
GUS 'A'	55
Guardian	50
GKN	20
Hanson Tst	17
Hawker Sidd	38
Hse of Fraser	26
ICI	42
'Imps'	12
ICL	7½
Ladbroke	25
Legal & Gen	45
Lex Service	40
Lloyds Bank	50
'Lots'	3
Lucas Inds	18
'Mams'	14
Marks & Spcr	20
Midland Bk	36
NEI	10
Nat West Bk	60
P & O Dfd	25
Plessey	20
Racal Elect	28
RHM	8
Rank Org Ord	24
Reed Intnl	40
Sears	8
TI	22
Tesco	16
Thorn EMI	55
Trust Houses	18
Turner Newall	10
Unilever	75
Vickers	14
Woolworth Hldg	50
Property	
Brit Land	11
Cap Counties	16
Land Secs	25
MEPC	25
Peachey	17
Samuel Props	12
Sterling Guar.	4
Oils	
Brit. Oil & Min.	9
Brit Petroleum	35
Burmah Oil	17
Charterhall	9
Premier	6
Shell	55
Tricentrol	20
Ultramar	60
Mines	
Charter Cons.	24
Cons Gold	58
Lonrho	12
Rio T Zinc	60

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 33

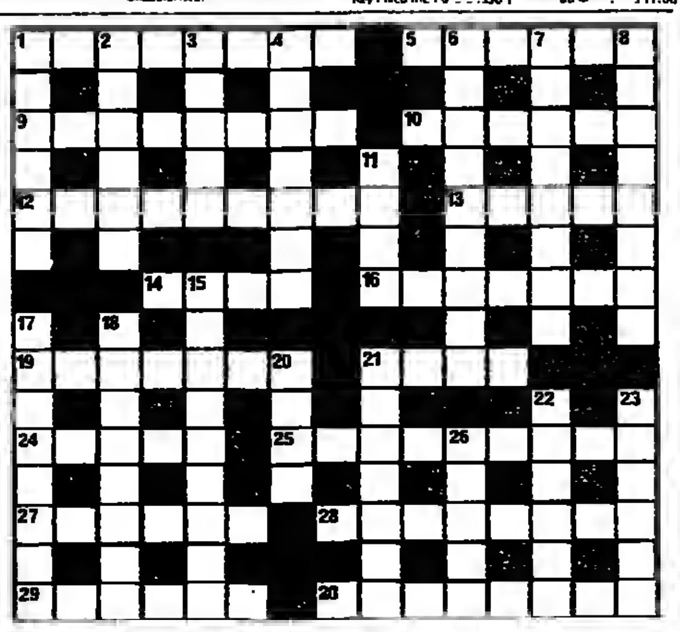
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,457



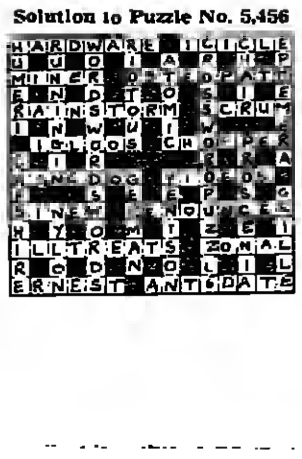
ACROSS

1 Dollars stolen to obtain ammunition (4-4)
5 The wrong time's right for him (6)
9 Many were awoken when people had a drunken party (8)
10 Mother goes to the doctor having knocked back S. African port (6)
12 Rouse the fiery Celt, perhaps! (9)
13 Give way under pressure (5)
14 As a medal it's unbeatable (4)
16 Brown may start to fight, being tough (7)
19 An early caller (7)
21 Slough outbuilding (4)
24 Plain clothes expert in Moslem law (5)
25 Service men who have a job to do (4, 5)
27 Third mate Barnaby to walk wearily (6)
28 Place of fancy? (5, 3)
29 Conditions under which horses race (6)
30 Fiance was set upon (8)

DOWN

1 He's not making any advance except in business (6)
2 Decay that is breaking up vehicles (6)
3 Settle without recourse to law (5)
4 Initial opportunity (7)
6 Anyway, it's where customs may look (2, 3, 4)
7 Hill splits and falls, perhaps (8)
8 As an occupant, I'd resent being put out (8)
11 A word of agreement, or more than one (4)
15 It's extensively used by oarsmen (9)
17 Linesman who is ready to help a player (8)
18 A mild expletive to cause amazement (8)
20 Badly hurt widow who married a wealthy farmer (4)
21 Meeting that has no standing? (7)
22 Have an ally in Fred, perhaps (6)
23 Give protection though fed up before the finish (6)
26 Nonsense children are always prepared to swallow (5)

Solution to Puzzle No. 5,456



INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd		$11.30	-0.02	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Wren Com. Fund	17.8	18.6	....	1.10
Chinese Fund	59.5	62.0	....	1.70
Precious Metal Fund	1?8.6	113.9	....	8.30
Vanguard Cmdy. Fd	28.5	29.3	....	2.26
Financial Futures Fd	60.5	61.0	....	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd	$9.04	+0.09	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
Malliobail Ltd				
36 Berkeley Sq, W1X 5DA. 05-499 6634				
M'hall Mny Fd	8.15	8.41	Qtrl	Call
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd.	9.32	9.54	6-mth	Call
7 day Fnd	8.52	8.70	6 mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	8.58	8.76	6-mth	Call
7 day Fund	9.37	8.54	6-mth	7-day
Hi. Int Dp Acc	8.58	8.76	6 mth	1-day
Dollar	10.19	10.44	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume				
30 City Road EC1Y 2AY. 01-638 6020				
Treasury Acc	8.75	9.04	Qtr	Call
Monthly Acc.	8.75	9.11	Mthl	Call
Bank of Scotland				
38 Threadneedle St EC2P 2EH. 01-628 8060				
Cheque Acc	8.75	9.11	Mthl	Call
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	8.75	9.04	Qtrl	Call
Britannia Grp of Investment Companies				
29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	8.6	8.839	Mthl	Call
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH 01-248 3999				
Sterling	9.00	9.18	Mthl	Call
U.S. Dollar	11.5	12.01	Mthl	Call
German Mark	5.25	5.45	Mthl	Call
Swiss Franc	4.5	4.60	Mthl	Call
Japanese Yen	5.625	5.85	Mthl	Call
Choulartons				
30 Ashley Rd, Altrincham, Cheshire, WA1 2OW 061-928 9011				
Cheque Acc	9.12	9.51	Mthl	Call
Co-operative Bank				
78-80 Cornhill EC3 01-626 6543 Ex 464				
Cheque & Save	7.50	7.70	Qtrl	Call
Over £1,000	9.50	9.87	Qtr	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	8.75	9.04	Qtrl	Call
Lombard North Central PLC				
17 Bruton St W1A 3DH 01-400 3434				
Notice Dep	9.0	9.21	Qtrl	14 day
M & G/Kleinwort Benson				
91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc	9.00	9.42	Daily	Call
Midland Bank plc				
PO Box 2, Sheffield 0742 20999 Ext 8223				
High Int. Chq	8.75	9.04	Qtrl	Call
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 66966				
High Int. Ste. Acc.	8.34	8.70	Daily	Call
Premier Acc	8.34	8.70	Daily	Call
Tyndall & Co				
29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	8.39	8.65	Qtrl	Call
Money Acc	8.46	8.77	Qtrl	Chq?
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc	8.25	8.56	Mthl	Call
Over £10,000	8.49	8.81	Mthl	Call

NOTES — Interest rates shown both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

[illegible]

COMMODITIES AND AGRICULTURE

Comex scheme aims to boost aluminium

BY RICHARD MOONEY

THE New York Commodity Exchange (Comex) has announced an incentive scheme aimed at boosting activity in its seven-month-old aluminium contract.

Under the scheme full members of the exchange will be paid $5 for every aluminium contract traded on their own account or a firm's account. No payment will be made for trades on customers' accounts.

The scheme is the second leg of a bid to boost flagging activity on the market. At the end of May Comex announced it was offering 50 temporary aluminium-trading permits at $5,000 each.

Payments under the latest scheme will be made out of a fund created by a five cents per contract levy on trading in all other Comex metals except aluminium. The levy comes into effect immediately and payments from the fund will be made on a quarterly basis.

The permit scheme has not yet come into effect. Many applications had been received, Comex said yesterday, but no permits had yet been taken up. It said the permits would be convertible into permanent memberships provided the holders traded at least 5,000 contracts in the first year.

Because the starting date for this qualification period has not yet been announced, however, there had been no incentive for permits to be taken up.

Comex said trading on the aluminium market had generally ranged between 100 and 500 lots a day since it opened last October but that this level was not as high as it had expected or hoped for.

At the time the contract was launched, the world aluminium market was buoyant and hopes were high that the Comex contract would emulate the success of the London Metal Exchange aluminium market, launched five years earlier.

Early this year, however, aluminium prices went into decline and interest in the Comex contract never built up in the way hoped for.

Sugar prices fall again

BY JOHN EDWARDS, COMMODITIES EDITOR

WORLD SUGAR prices fell again yesterday on the London market reflecting continued disappointment over failure of the Geneva conference to negotiate a new International Sugar Agreement and a decline in New York on Monday night.

The London daily price for raw sugar was cut by $3.50 to $130 a tonne (the lowest-ever dollar quotation in London) while the sterling equivalent was £2 down at a 15-month low of £97. On the futures market the October position closed $6 lower at $139.7 a tonne.

Traders said most selling was by speculators who bought sugar before the conference in anticipation of a new international agreement bringing higher prices.

At the same time, with crop prospects good in most major producing areas, there is a general feeling prices are likely to remain under pressure and could decline in coming months.

Meanwhile Mr Peter Dyke, British Sugar executive director, said yesterday this year's crop would produce enough to meet Britain's A and B European Community quotas totalling 1.14m tonnes.

Speaking at the Royal Agricultural Show, Stoneleigh, Warwick, he said he expected the crop to produce some C quota tonnage, given the right conditions, but how much would depend on weather until

Potato futures rise

FORECASTS of warmer, dry weather in the UK prompted nervous short covering on the London potato futures market yesterday, pushing forward prices sharply higher.

The April 1985 position ended £18.80 up on the day at £118 a tonne. Activity was much higher than of late with 1,673 lots of 40 tonnes changing hands, up from 656 lots on Monday.

● THE U.S. Bureau of the Mint confirmed it would open bids at 1400 hours local time on July 9 for 14m lb of special high grade zinc for delivery beginning the week of July 23. It would be delivered to Ball Zinc Products Division, Greenville, Tennessee.

● KENYA may soon introduce to world markets a coffee called Arrobusta, a cross between Arabica and Robusta types, the Coffee Board of Kenya said. It would be used for instant coffee. Kenya hoped to export 120,000 tonnes of coffee this year against 86,000 tonnes last year.

● ZIMBABWE coffee exports earned $17.2m (21.5m Zimbabwe dollars) in foreign currency this year, the Coffee Growers Association said in its annual report. The parastatal Grain Marketing Board took delivery of 9,370 tons (10,307 short tons) compared with 6,906 tons (7,596 short tons) last season, and 11,000 tons (12,100 short tons) were expected in the next harvest.

A larger percentage of the crop was of a lower quality because of a three-year drought. The number of coffee-growers fell from 245 to 210 in the year.

● PRIVATE weather forecaster Accu-Weather said it expected no damaging cold in the main Brazilian coffee belt until Thursday at least.

● GHANA is likely to exceed this year's maize output target of 400,000 tonnes by 40,000 tonnes and will set aside the excess in case of a poor crop next year, the official People's Daily Graphic said.

Greece takes more of dried fruit market

A correspondent explains how the EEC's latest member has caused Australia to cede dominance of quantity

SO FAR this year Greece has supplied 41 per cent of Britain's imports of sultanas and raisins, which last year totalled 70,000 tonnes. Greece advanced to this market share annually in each of the past three years by 26 per cent, 29 per cent and 35 per cent respectively.

The expansion, after years in which Greece's share remained fairly static, reflects the help she has received as the newest member of the European Economic Community and the only country in the Community producing dried fruit for export.

The incursion, spurred by a minimum import price (MIP) and special subsidies that give Greece an advantage of about £100 a tonne, has made its largest dent on Australian supplies.

These, though maintaining their tradition of being at the top end of the market for quality, have now ceded to the Mediterranean exporter the dominance they once held here for quantity.

While Greece has been offering sultanas at $750 (£555) a tonne, Australian and other non-Greek fruit is bound by the MIP not to go below £645 a tonne, except on pain of a $150-a-tonne levy.

The figure is expected to rise still higher when the restriction, introduced in 1982 to enable Greece to unload a surplus but now showing all the signs of permanence, is reviewed in September.

Greece, not content with putting the Australian nose out of joint in Britain, Australia's main market, has begun to tweak it, too, by selling into Australia's home ground.

Producers there are demanding government measures against the artificial competitive edge given to Greece by the EEC protectionism from which a whole range of Australian products has suffered.

So far Australian sultanas have hung on in this market because of trade links established over a century and the fact that their excellence commands a premium, traditionally of about £50 a tonne, in the market's more exacting sectors.

The quality of the country's latest 80,000-tonne harvest is especially high, the best, connoisseurs say, for five years.

Yet Greece is catching up and the day could come when the margin of superiority no longer justifies the premium that its handicap forces Australia to chase.

Some hope comes from the fact that today's concern with health and diet is helping to pick up Britain's consumption of dried fruit after years in which it was slowly contracting.

The scale of the upturn, however, is too slight to afford Australia much relief for Australia depends as it has always done on European outlets for disposal of about a third of its exports. Though it is pursuing other markets as hard as it can, the process of developing alternatives is slower than it has been for the EEC's penalties to bite.

Turkey, the other big Mediterranean supplier to the UK, also stands to suffer from the MIP though in some quarters it is suspected that the Turks, with an annual crop of about 100,000 tonnes, are being quietly given concessions that save them from the worst of the provision's effects.

It is not the first time Turkey is thought to have benefited from an official blind eye. In 1981, the first full year of her EEC membership, Greece accused the commission of allowing Turkish sultana imports to undercut Greek ones on European markets.

Since then the Community has spent about £85m a year to buy up surplus Greek fruit and the commission has proposed the adoption of a much more limited system of support, to Greek consternation.

With the Common Agricultural Policy being savagely squeezed it is no time for Greece to expect the EEC to widen its arms to embrace a dried-fruit mountain alongside those of butter, wheat and beef. The commission has already made clear that Mediterranean surpluses will not obtain the same sort of support that encouraged over-production in the North.

The MIP for sultanas thus gains importance as a means of enabling Greece to maximise sales within the EEC, which annually buys about 180,000 tonnes, and so lessen the case for demanding that the EEC buy them up under intervention.

Nicaraguan rural labour shortage looms

BY TIM COONE IN MANAGUA

A RURAL labour shortage in Nicaragua is looming, mainly because of the U.S.-backed war being waged against the Government. According to Sr Domingo Gomez, a leader of the Rural Workers Union (ATC), the shortage may reach 48,000 workers this year.

ATC members have been among the most active to enrol in reserve battalions and in militias to fight against the Contras, the U.S.-backed guerrillas.

Their workplaces, the state farms, have also been main targets of the Contras. Further, agrarian reform has settled tens of thousands of former migrant labourers, who now work their own land in co-operatives in preference to seasonal work on larger farms.

Annually about 20,000 students are mobilised in voluntary work-brigades to pick the country's vital coffee and cotton export crops.

Sr Santos Mendez, head of ATC information, said however, the planting of a projected 105,00 hectares of cotton this season would not be affected by labour scarcity.

Philippines ceases to be net rice exporter

MANILA — Prolonged drought and the shortage in foreign exchange to import fertilisers have combined to turn the Philippines from a net rice exporter last year to an importer this. President Ferdinand Marcos has recalled 150,000 tonnes committed to exports.

The National Food Authority, with sole power to export and import rice, said the 150,000 tonnes were actually shipments from Thailand bought at $255 (£189) a tonne. Last year Philippines' rice exports reached about 110,000 tonnes.

The authority said buffer stocks were good for 78 days but imports were required because it needed to "beef up" stocks to assure adequate supplies were stored in time for the lean months of July, August and September.

Philippines' ability to export rice started in 1980. Reuter

Latin American farm output declines

BY NANCY DUNNE IN WASHINGTON

PER CAPITA agricultural production in Latin America last year sank to nearly 1969-71 levels with only 10 out of 25 countries registering a greater output than in 1982, the U.S. Department of Agriculture (USDA) reported this week.

An overall 1 per cent increase in crop production failed to offset a 3 per cent decline in livestock output. Wheat production, mainly in Mexico and Argentina, was down sharply from the record 1982 crop, and maize production was 8 per cent below 1982.

However, soyabean production rose 10 per cent from 1982 with Brazilian increases more than offsetting declines in Argentina and Paraguay. Coffee production, too, rose a mighty 23 per cent over the previous year.

As Latin American economies continued to deteriorate, governments pursued policies to discourage imports, spur exports and reduce domestic public spending, USDA said.

In many countries, lower incomes and the removal of price subsidies have resulted in shifts in domestic demand for many agricultural products.

USDA said the region's population growth, about 2.3 per cent a year, will continue to put pressure on domestic food supplies and imports.

PRICE CHANGES

BRITISH COMMODITY PRICES

BASE METALS

BASE-METAL PRICES were mixed on the London Metal Exchange, with trading activity restricted by currency fluctuations. Copper moved in a narrow range and closed the late Kerb at £1,019.25 while speculative selling depressed Lead to a close of £366 and ...

SILVER

Silver was fixed 3.6p an ounce lower for spot delivery in the London bullion market yesterday at 612p. U.S. cent equivalents of the fixing levels were: spot 821c, down 9.5c; three-month 845.6c, down 9.6c; six-month 873.1c, down 8.8c; and 12-month 930.1c, down 5.4c. ...

COPPER

TIN

LEAD

ZINC

ALUMINIUM

NICKEL

WEEKLY METALS

COCOA

COFFEE

GRAINS

PIGMEAT

POTATOES

SOYABEAN MEAL

SUGAR

RUBBER

MEAT/FISH

INDICES

LONDON OIL

SPOT PRICES

GAS OIL FUTURES

GOLD MARKETS

LONDON FUTURES

EUROPEAN MARKETS

AMERICAN MARKETS

NEW YORK, July 3.

PRECIOUS METALS traded mostly off the weaker currencies and finished slightly lower, reports Heinold Commodities. Heating Oil prices continued their downside erosion as trade statistics highlighted low levels of consumption. ...

NEW YORK

CHICAGO

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling at 15-month low

Sterling slipped to its lowest level for 15 months in currency markets yesterday. Much of the decline was attributed to the dollar's continued strength but the pound also lost ground against many European currencies. Its trade-weighted index fell to 78.6, its lowest level since late March 1983 and down from 79.0 on Monday. At noon it had stood at 78.7 down from an opening level of 78.8.

Trading volume was rather thin ahead of today's holiday in the U.S. but some dealers suggested that the Bank of England may have intervened from time to time on a small scale in order to smooth out any sharp fluctuations and put a brake on sterling's decline to below $1.34 against the dollar. It touched a low of $1.3340 before closing at $1.3375, so registering another record trading and closing low and down 1.35c from Monday. Apart from the dollar's attraction, the pound was undermined by a continuation of the miners' strike and its effects on industrial output.

Sterling was unchanged against the D-mark at DM 3.77 but slipped to SwFr 3.1625 from SwFr 3.1650 and Y320.25 from Y322.25. It was also lower against the French franc at FFr 11.5650 compared with FFr 11.5750.

Factors behind the dollar's rise to a record trade weighted index of 135.0 up from 134.3 on Monday remained the same. An overnight Federal funds rate of 12½ per cent and a deep rooted conviction that the Federal authorities may be obliged to increase rates further provided sufficient impetus to push the dollar to DM 2.8210 against the D-mark, its best level since January and up from DM 2.7900 on Monday. It also rose to SwFr 2.3670 from SwFr 2.3420 and Y239.65 compared with Y238.55. Against the French franc it was higher at FFr 8.6550 from FFr 8.5650. The pace of the dollar's improvement tended to accelerate after the Bundesbank had withdrawn from the market, having sold dollars earlier in the day.

D-MARK — Trading range against the dollar in 1984 is 2.8425 to 2.5535. June average 2.7393. Trade-weighted index 124.5 against 124.3 six months ago.

The D-mark showed mixed changes at the Frankfurt fixing, weakening against the dollar, but improving against sterling. The Bundesbank may not have intervened on the open market, but sold $29.4m when the dollar was fixed at DM 2.8077, compared with DM 2.7971 previously. Demand for dollars ahead of today's Independence Day holiday help to keep the dollar firm against a background of very high domestic U.S. and Euro-dollar interest rates. Sterling fell to DM 3.7650 from DM 3.7680, and the Swiss franc to DM 1.1924 from DM 1.1935. Within the European Monetary System the D-mark rose to DM 32.595 per 100 French francs from DM 32.590, but eased to DM 88.690 per 100 Dutch guilders from DM 88.710.

ITALIAN LIRA — Trading range against the dollar in 1984 is to 1,591.00. June average 1,693.60. Trade-weighted index 48.4 against 49.8 six months ago.

The lira was firm against most currencies at the Milan fixing, including its partners in the European Monetary System, but fell to a record low against the strong dollar. The dollar was fixed at its highest ever level of L1,727.40, compared with L1,722.50 on Monday, but the Bank of Italy did not intervene in trading of $45.35m at the fixing. The central bank bought DM 46m of the DM 50m traded at the fixing, however, when the D-mark fell to L615 from L615.78. The French franc declined to L200.30 from L200.62, and the guilder to L544.91 from L546.35. Outside the EMS, sterling eased to L2,312.10 from L2,320.75.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU July 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.4820	+1.29	+1.15	±1.5447
Danish Krone ...	8.14104	9.19805	+0.70	+0.60	±1.6425
German D-Mark	2.24184	2.23604	−0.26	−0.36	±1.0642
French Franc ...	6.87456	6.86226	−0.19	−0.28	±1.4052
Dutch Guilder ...	2.52595	2.52284	−0.12	−0.22	±1.4964
Irish Punt	0.72569	0.730683	+0.69	+0.59	±1.6699
Italian Lira	1403.49	1373.57	−2.13	−2.13	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York (latest)

	July 3	Prev. close
Spot	1.3345-3355	$1.3490-3500
1 month	0.31-0.34 dis	0.34-0.35 dis
3 months	0.91-0.95 dis	0.94-0.96 dis
12 months	3.70-3.80 dis	3.73-3.75 dis

£ forward rates are quoted in U.S. cents discount.

THE POUND SPOT AND FORWARD

July 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3340-1.3420	1.3370-1.3380	0.33-0.36c dis	−3.09	0.93-0.97dis	−2.84
Canada	1.7610-1.7680	1.7625-1.7635	0.45-0.54c dis	−3.37	1.30-1.40dis	−3.06
Nethlnd.	4.23½-4.26¼	4.24½-4.25½	1¼-¾c pm	2.82	3½-0 pm	3.05
Belgium	76.35-76.75	76.45-76.55	14-18c dis	−2.51	35-41 dis	−1.99
Denmark	10.78½-10.83½	10.80-13.81	1.60-2.55ore dis	−1.80	4.20-5.30dis	−1.38
Ireland	1.2290-1.2340	1.2315-1.2325	0.28-0.38p dis	−0.05	0.71-0.86dis	−2.59
W. Ger.	3.75½-3.77¼	3.76½-3.77½	1¼-1pf pm	3.58	3½-3¼ pm	3.51
Portugal	195.55-197.95	196.75-196.25	45-190c dis	−7.19	135-455 dis	−5.02
Spain	213.15-213.90	213.30-213.50	85-100c dis	−5.20	265-315 dis	−5.43
Italy	2,305½-2,318½	2,307-2,309	11-14 lire dis	−6.50	34-37 dis	−5.16
Norway	10.78-10.81½	10.78-10.79	2.85-3.80ore dis	−3.70	0.05-9.05dis	−3.17
France	11.52-11.57½	11.56-11.57	2¼-3½c dis	−2.98	8-9 dis	−2.94
Sweden	10.98½-11.03	10.99½-11.00½	0.40-4.30ore dis	−4.20	9.65-10.70dis	−3.70
Japan	319¾-321¾	319¾-320¼	1-¾y pm	3.28	2½-2½ pm	3.28
Austria	26.38-26.48	26.43-26.48	5½-4¼gro pm	2.24	18½-15¼ pm	2.55
Switz.	3.14¾-3.17	3.15¾-3.16¾	1½-1c pm	4.74	4¼-3¾ pm	5.06

Belgian rate is for convertible francs. Financial franc 77.50-77.60. Six-month forward dollar 1.86-1.91c dis, 12-month 3.72-3.82c dis.

THE DOLLAR SPOT AND FORWARD

July 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3340-1.3420	1.3370-1.3380	0.33-0.36c dis	−3.09	0.93-0.97dis	−2.84
Ireland†	1.0840-1.0910	1.0850-1.0860	0.03c pm-0.02 dis	0.05	0.02pm-0.08d	−0.11
Canada	1.3175-1.3190	1.3185-1.3190	par-0.02c dis	−0.09	0.03-0.06dis	−0.14
Nethlnd.	3.1650-3.1820	3.1800-3.1820	1.68-1.64c pm	6.29	4.85-4.80 pm	6.09
Belgium	57.10-57.36	57.31-57.36	3½-2c pm	0.58	13-10 pm	0.86
Denmark	10.29-10.34	10.33½-10.33¾	1.35-0.85ore pm	1.28	4.00-3.50 pm	1.45
W. Ger.	2.8060-2.8230	2.8205-2.8215	1.58-1.53p pm	9.63	4.52-4.47 pm	6.38
Portugal	145.50-148.25	147.25-148.25	par-100c dis	−4.07	par-300 dis	−4.07
Spain	159.20-159.80	159.70-158.86	25-40c dis	−2.44	90-120 dis	−2.63
Italy	1,725-1,730½	1,729½-1,730½	4½-5 lire dis	−3.30	13-14 dis	−3.12
Norway	8.0600-8.0750	8.0700-8.0750	0.15-0.65ore dis	−0.59	0.40-0.90dis	−0.32
France	8.6075-8.6575	8.6525-8.6575	0.10c pm-0.10 dis	—	par-0.40dis	−0.09
Sweden	9.2150-8.2375	9.2325-8.2375	0.50-1.00ore dis	−1.09	1.50-2.00dis	−0.85
Japan	239.00-239.95	239.60-239.70	1.29-1.25y pm	6.36	3.67-3.62 pm	6.09
Austria	10.69-10.79	10.78-10.79	5.20-8.75gro pm	5.44	26.75-24.75pm	6.22
Switz.	2.3500-2.3675	2.3665-2.3675	1.56-1.52c pm	7.83	4.57-4.53 pm	7.71

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 57.95-58.00.

OTHER CURRENCIES

July 3	£	$		£ Note Rates
Argentina Peso	69.00-69.13	51.60-51.66	Austria	29.30-29.60
Australia Dollar	1.5675-1.9695	1.1700-1.1745	Belgium	77.30-78.10
Brazil Cruzeiro	2,299.8-9,312.1	1,719-1,728	Denmark	13.75-13.80
Finland Markka	7.5390-7.0610	6.0500-6.0550	France	11.49-11.60
Greek Drachma	149.60-149.00	110.70-111.00	Germany	3.74½-3.77½
Hong Kong Dollar	10.445-10.466	7.9195-7.9206	Italy	2300-2330
Iran Rial	120.50*	89.60*	Japan	315-324
Kuwait Dinar (KD)	0.3994-0.4005	0.2984-0.29865	Netherlands	4.23-4.27
Luxembourg Fr.	76.45-76.66	57.31-57.36	Norway	10.77-10.88
Malaysia Dollar	3.1026-3.1065	9.5940-5.3266	Portugal	183-203
New Zealand Dlr.	2.1200-2.1250	1.5866-1.5895	Spain	206-215½
Saudi Arab. Riyal	4.6990-4.7045	0.6110-3.5120	Sweden	10.99-11.10
Singapore Dollar	2.8600-2.8650	2.1426-2.1440	Switzerland	0.14¼-3.17¼
Sth African Rand	1.8945-1.9000	1.4165-1.4205	United States	1.33¼-1.35¼
U.A.E. Dirham	4.0145-4.9200	3.6720-3.6730	Yugoslavia	187-199

* Selling rates.

CURRENCY MOVEMENTS

July 3	Bank of England Index	Morgan Guaranty Changes%
Sterling	75.6	−12.1
U.S. dollar	136.0	+25.0
Canadian dollar	88.1	−4.5
Austrian schilling	116.2	+4.5
Belgian franc	80.7	−10.8
Danish Kroner	77.6	−6.9
Deutsche mark	124.5	+7.6
Swiss franc	143.5	+9.9
Guilder	114.0	+4.1
French franc	65.8	−16.6
Lira	48.4	−12.4
Yen	166.0	+11.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 3	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.766112	0.593987
U.S. $	9	1.02705	0.795348
Canadian $	19.56	*	1.04843
Austria Sch	4½	20.2401	15.6763
Belgian Fr	11	58.6705	45.4820
Danish Kr.	7	10.5726	8.19805
D'mark	4½	2.98365	2.23604
Guilder	5	3.28113	2.52284
French Fr.	9½	8.94444	6.86226
Lira	15½	N/A	1373.57
Yen	5	246.078	190.565
Norwgn Kr.	8	8.28213	6.41360
Spanish Pta.	—	163.600	126.775
Swedish Kr.	9½	8.44903	6.54094
Swiss Fr	4	2.41994	1.87400
Greek Dr'chi	20½	113.813	95.0530
Irish Punt	12½	0.943546	0.730683

*C$/SDR rate for June 28: 1.35378.

EXCHANGE CROSS RATES

July 3	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.338	3.770	320.3	11.668	3.163	4.260	2308.	1.763	76.50
U.S. Dollar	0.741	1.	2.821	239.7	8.666	2.397	3.191	1730.	1.315	57.34
Deutschemark	0.265	0.358	1.	84.95	3.068	0.839	1.127	612.8	0.468	20.20
Japanese Yen 1,000	3.123	4.175	11.77	1000.	36.11	9.879	13.27	7207.	5.505	238.9
French Franc 10	0.865	1.157	3.260	276.9	10.	9.736	3.675	1996.	1.524	66.16
Swiss Franc	0.319	0.423	1.192	101.3	3.667	1.	1.344	729.9	0.667	24.12
Dutch Guilder	0.236	0.315	0.887	75.33	9.721	0.744	1.	543.1	0.415	19.00
Italian Lira 1,000	0.433	0.580	1.633	118.3	5.011	1.370	1.841	1000	0.764	33.15
Canadian Dollar	0.567	0.759	2.138	181.7	9.560	1.794	5.411	1309.	1.	43.39
Belgian Franc 100	1.307	1.746	4.088	418.6	16.12	4.134	5.556	3017.	2.305	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 3	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	9¾-9	12⅛-12¼	11¼-11¾	6⅛-6½	4⅝-4⅞	6⅛-6¼	11½-11¾	14-15	11¼-11¾	11½-11¾	5-⅛-5⅛	10¼-10¾
7 days' notice	9⅛-9⅝	11½-11⅝	11⅝-11⅞	6¾-6⅞	3¾-4	5⅞-5⅞	11⅝-11⅞	14½-15½	11½-12	11½-11¾	5½-5⅛	10⅝-11¼
Month	9⅞-9⅞	11½-11⅞	12-12⅛	5⅞-6⅛	4⅛-4⅜	5⅝-6⅛	11⅞-12⅛	15-15½	11½-12	11½-11⅞	5⅞-6⅛	11-11½
Three months	9⅝-9¾	12¼-12⅜	12⅛-12⅜	6⅛-6½	4½-4⅝	5⅞-6	12¼-12⅝	16¼-16¾	11½-12	11⅝-11⅞	6⅛-6⅜	11¼-11¾
Six months	10⅛-10¼	12⅝-12⅞	12⅝-13⅛	6⅛-6⅝	4⅝-4⅞	6⅛-6⅜	13¼-13⅝	16⅛-16⅞	11¾-12¼	11¾-12	6⅛-6⅜	11½-12
One year	10⅜-10⅝	13⅝-13¾	13⅝-13⅞	6½-7⅛	4⅝-4⅞	6⅜-6⅝	14½-14¾	17-17⅛	12½-13	12-12¼	6⅛-6⅜	11¾-12¼

Asian $ (closing rates in Singapore): Short-term 11½-11⅝ per cent; seven days' 11⅝-11⅞ per cent; one month 11⅞-12 per cent; three months 12⅝-12⅞ per cent; six months 12⅞-12⅞ per cent; one year 13⅛-13⅜ per cent. Long-term Eurodollars: two years 14⅛-14⅜ per cent; three years 14⅜-14½ per cent; four years 14⅜-14⅝ per cent; five years 14½-14⅝ per cent nominal closing rate. Short-term rates are call for U.S. banks and Japanese yen; two days' notice.

MONEY MARKETS

UK rates firmer on weak pound

Sterling's fall to record levels against the dollar and a 15-month low on its index pushed UK interest rates firmer yesterday. Conditions in the afternoon were a little more relaxed but rates were still marked up from Monday. Three-month interbank money traded at 9¾-9⅞ per cent up from 9½-9⅝ per cent and three-month eligible bank bills were bid at 9⅛ per cent up from 9 per cent.

Overnight interbank money opened at 9¼-9⅜ per cent and touched a high in the morning of 9¾-9⅞ per cent before slipping away in the afternoon to around 3 per cent. There had been fears earlier that there may have been some difficulties in presenting sufficient paper to the Bank to meet the day's shortage.

The Bank of England forecast a shortage of around £400m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £257m and Exchequer transactions a further £250m. On the other hand banks brought forward balances £55m above target and there was a fall in the note circulation of £50m.

UK clearing banks' base lending rate 9¼ per cent (since May 10-June 27)

The forecast was later revised to a shortage of around £450m and the Bank gave assistance in the morning of £433m. This comprised purchases of £60m of eligible bank bills in band 1 (up to 14 days) at 8⅞ per cent and in band 2 (15-33 days) £21m at 8⅞ per cent. In band 3 (34-63 days) it bought £80m of eligible bank bills at 9 per cent and in band 4 (64-91 days) £4m of local authority bills and £262m of eligible bank bills all at 9 per cent. There was no further intervention in the afternoon.

In Amsterdam the latest four-year Treasury bill tender attracted a fixed rate of 9¼ per cent on sales of Fl 453.5m. The previous Treasury bill offer, made on April 18, carried a rate of 7¼ per cent. In the money market call money rose to 5¼-5⅝ per cent from 5¼-5½ per cent, while three and six month rates were ¼ of a point firmer. This reflected the dollar's continued firmer trend and a rise in U.S. interest rates.

In Rome the Italian Treasury announced an increase in its L8.5 trillion July offering of seven year credit certificates to L8 trillion. This followed an oversubscription of the original offer and was formulated to meet market demand. The notes, which mature on July 1, 1991, carry a rate fixed at 0.6 per cent above the six-month Treasury bill rate.

MONEY RATES

July 3	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.60	11⅞	3-4	5⅛-5	6.09375	16¼-16½	10.45	11¼-11½
One month	5.75-5.90	11⅞-12	[illegible]	5⅛-6	6.15625	16⅛-16⅝	11¼-11⅝	11½-12
Two months	5.90-6.05	[illegible]	—	—	—	—	—	12-12⅛
Three months	6.05-6.15	12⅛-12¼	4⅛-4⅛	5⅞-6⅛	6.56155	16½-17	11⅛-11⅛	12⅛-12⅜
Six months	6.55-6.60	12⅝-12⅞	—	6⅛-6⅜	—	—	11⅝-12	12⅝-12⅞
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	11⅞	—	6¼	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

July 3 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	3-9¼	9⅛	5¼-9⅛	1-9⅛	—	—	—	—	—
2 days notice	—	—	9⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9⅛-9⅜	9⅛	9¼	9⅛-9	—	—	—	—	—
One month	9⅛-9⅜	9⅛-9¼	9⅛	9¼-9⅝	9⅛-9⅜	8⅞	8⅝	9⅛	8⅞	9⅜
Two months	9⅛-9⅝	9⅛-9⅝	9⅝	—	9⅜-9⅝	—	8⅞	9⅛	9	9⅝
Three months	9⅞-9⅝	9⅞-9⅞	9⅞	9⅝	9⅝-9⅞	8⅞-8⅞	8⅞	9⅛	9⅛	9⅞
Six months	10⅛-10	10-10⅛	10	—	—	—	—	9⅛-9⅛	—	10⅛
Nine months	10⅛-10	10⅛-10⅝	10⅛	—	—	—	—	—	—	—
One year	10⅛-10	10⅛-11	10⅛	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	9⅞-9¼	—	9⅛	11.85-11.25	9⅞-10	9-9⅛
Two months	9⅞-9⅝	—	9⅞	12.0-12.1	10⅛-10⅛	9⅝-9⅜
Three months	9⅞-9¾	—	9⅞	12.15-12.25	10⅛-10⅛	9⅝-10
Six months	10⅛-10	—	10⅛	12.70-12.80	10⅛-10⅛	9⅝-10
Nine months	10⅛-10	—	10⅛	12.8-12.9	—	—
One year	11-10⅝	—	10⅛	13.55-13.65	11¼-11⅛	10⅛-10⅝
Two years	—	11⅛	—	—	—	—
Three years	—	11⅝	—	—	—	—
Four years	—	11⅝	—	—	—	—
Five years	—	11⅝	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of Interest period June 6 to July 3 1984 (inclusive): 9.458 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 9½ per cent from July 1 1984. London and Scottish Clearing Bank Rates for lending 9¼ per cent. London Deposit Rate for sums at seven days' notice 5¼-6 per cent. Treasury Bills: Average tender rate of discount 8.9638 per cent. Certificates of Tax Deposit (Series 6). Deposit of £100,000 and over held under one month 9¾ per cent; one-three months 9⅝ per cent; three-six months 9⅜ per cent; six-nine months 10¼ per cent; nine-12 months 10⅛ per cent. Under £100,000 9¾ per cent from June 18. Deposits held under Series 4-5 10¾ per cent. The rate for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. July 3)

Three months U.S. dollars: bid 12 5/16 — offer 12 7/16

6 months U.S. dollars: bid 12 13/16 — offer 12 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	13
Broker loan rate	12½-13
Fed funds	12½
Fed funds at intervention	12½

Treasury Bills

One month	9.15
Two month	9.60
Three month	9.96
Six month	10.45
One year	11.03

Treasury Bonds

Two year	99⅞
Three year	98⅞
Four year	99⅛
Five year	100⅛
Seven year	93⅞
10 year	95⅞
30 year	97⅛

FINANCIAL FUTURES

Conflicting news

Sterling denominated contracts finished weaker on the day, but above opening levels on the London International Financial Futures Exchange yesterday, but dollar denominated contracts ended at or near the day's high.

Gilt and three-month sterling deposit futures opened weak as sterling fell to a record low against the dollar on the foreign exchanges, but then came under conflicting influences as the pound fell to even lower levels, while U.S. bond prices firmed ahead of last night's U.S. Treasury seven-year note auction.

Traders suggested that the market was prepared to ignore the very high level of the Federal funds rate. This was around 12½ per cent in early New York trading, after touching 13¼ per cent on Monday, but was largely regarded as a reflection of the technical shortage of liquidity ahead of today's Independence Day holiday.

Attention turned towards the Treasury auction, which was generally expected to be successful on the attraction of very high yields.

Against this background Eurodollar futures opened steady, but at the day's low, and resisted any attempt to come off, before rising steadily as Chicago began trading.

Treasury bond futures showed a similar pattern, opening near the day's low and then advancing in line with trading on the Chicago Board of Trade.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	87.22	87.22	87.11	87.32
Dec	86.43	86.46	86.32	86.37
March	86.02	86.04	85.93	85.87
June	85.73	—	—	85.68
Sept	85.49	—	—	85.44

Est volume 3,329 (3,343)
Previous day's open int 15,437 (13,417)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
Sept	89.65	89.67	89.50	89.71
Dec	88.86	89.03	88.85	89.06
March*	88.56	88.57	88.46	88.58
June*	88.37	—	—	88.29
Sept*	88.17	—	—	88.05

Est volume 1,052 (440)
Previous day's open int 9,588 (9,607)
*£500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	100-31	101-01	100-20	101-02
Dec	100-09	—	—	100-11
March	99-25	—	—	99-27
June	99-09	—	—	99-11
Sept	101-15	—	—	101-17

Est volume 1,654 (1,341)
Previous day's open int 5,729 (5,875)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) 36 to 52 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.3445	1.3485	1.3435	1.3575
Dec	1.3535	1.3565	1.3535	1.3665
March	1.3627	1.3656	1.3627	1.3750

Est volume 783 (96)
Previous day's open int 2,521 (2,500)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3550	0.3606	0.3587	0.3625
Dec	0.3648	—	—	0.3683

Est volume 40 (14)
Previous day's open int 333 (325)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4293	—	—	0.4336
Dec	0.4381	—	—	0.4426

Est. volume nil (10)
Previous day's open int. 2,293 (2,299)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4221	0.4223	0.4221	0.4236
Dec	0.4267	—	—	0.4301

Est. volume 40 (2)
Previous day's open int. 253 (253)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	103.90	104.10	103.15	103.85
Dec	103.70	103.70	103.25	103.50

Est. volume 410 (167)
Previous day's open int. 1,012 (1,367)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	60-01	60-06	59-19	59-10
Dec	59-14	—	—	58-31
March	58-31	—	—	58-16

Est. volume 826 (520)
Previous day's open int. 1,129 (977)

CHICAGO

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	63-15	63-20	63-09	63-11
Dec	62-14	62-17	62-08	62-08
March	61-20	61-21	61-20	61-13
June	—	—	—	60-25
Sept	60-14	—	—	60-10
Dec	60-04	—	—	60-01
March	—	—	—	—
June	59-25	59-25	59-22	59-21

STERLING (IMM) Se per £

	Latest	High	Low	Prev
Sept	1.3355	1.3430	1.3335	1.3505
Dec	1.3515	1.3390	1.3515	1.3700
March	1.3690	1.3690	1.3615	1.3800

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	86.86	86.92	86.82	86.91
Dec	86.10	86.13	86.01	86.09
March	85.68	85.70	85.59	85.57
June	85.37	85.38	85.30	85.37
Dec	84.86	84.96	84.89	84.96

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	87.30	87.34	87.22	87.30
Dec	86.54	86.55	86.46	86.52
March	86.13	86.14	86.05	86.12
June	85.83	85.83	85.76	85.81

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	89.01	89.04	88.91	88.86
Dec	88.21	88.24	88.10	88.13
March	87.74	87.79	87.62	87.68
June	87.36	87.39	87.30	87.32
Sept	87.14	87.14	87.07	87.08
Dec	86.99	86.99	86.88	86.90
March	86.88	86.88	86.76	86.76
June	86.65	86.65	—	86.63

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	60-07	60-07	59-17	59-22
Dec	59-14	59-10	58-30	59-04
March	59-00	59-05	58-17	58-20
June	58-21	58-24	58-11	58-08
Sept	58-13	58-15	58-04	58-00
Dec	58-06	58-06	57-22	57-24
March	57-31	57-31	57-17	57-17
June	57-29	57-28	57-21	57-11

Company Notices

CLASSIFIED ADVERTISEMENT RATES

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 3.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alaska Housing 11¾ 94	150	[illegible]	[illegible]	[illegible]	[illegible]	14.07
American Savngs 12 89	125	[illegible]	[illegible]	[illegible]	[illegible]	12.58
American Sav 12½ 89	100	[illegible]	[illegible]	[illegible]	[illegible]	12.84
Australian Ind Dev 11 89	75	[illegible]	[illegible]	[illegible]	[illegible]	13.68
Bank Of Tokyo 11½ 98	100	[illegible]	[illegible]	[illegible]	[illegible]	14.24
Beneficial O/S Fin 12 91	100	[illegible]	[illegible]	[illegible]	[illegible]	14.80
Citicorp O/S 11¾ 89	100	[illegible]	[illegible]	[illegible]	[illegible]	12.97
C.N.C.A. 13¾ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	14.24
Crossfed Int 12⅛ 89	125	[illegible]	[illegible]	[illegible]	[illegible]	14.02
Creditanstalt 13¾ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	13.57
D.N.C. 11¾ 91 WW	50	[illegible]	[illegible]	[illegible]	[illegible]	14.47
D.N.C. 11¾ 91 XW	50	[illegible]	[illegible]	[illegible]	[illegible]	14.73
Denmark Kingdom 12 91	100	[illegible]	[illegible]	[illegible]	[illegible]	14.41
Denmark Kingdom 13 91	100	[illegible]	[illegible]	[illegible]	[illegible]	14.18
Digital Equip 11¾ 89	150	[illegible]	[illegible]	[illegible]	[illegible]	13.82
Dutch Mines 11⅞ 91	150	†85⅝	86¾	0	−0⅝	14.10
E.D.C. 11⅝ 89	150	90⅞	91½	+0¼	0	12.80
E.I.B. 12½ 96	100	94⅞	95⅜	0	0	13.74
E.I.B. 12⅞ 94	100	94⅞	95⅜	+0⅛	−0⅜	13.79
Eurofima 12½ 91	100	†93⅝	94¼	0	−0⅜	13.89
Ex-Im Bk Japan 13¼ 91	75	101¼	101¾	+0⅜	+0⅛	12.90
Florida Fed Sav 12⅞ 89	100	95¼	96¼	+0¼	0	13.52
Gen Elec Credit 0 96	600	24½	25	0	0	12.32
Gen Elec Credit 11 91 WW	200	92⅞	92⅞	0	+0⅞	12.68
Genossen Zentral 14 91	100	98⅜	98⅞	+0⅛	+0⅛	14.32
Gulf & Western 12⅞ 89	100	91¾	92¼	+0¼	+0¼	14.55
I.T.T. 12 89	100	93½	94	+0⅛	+0¼	13.84
Indust Bk Japan 11½ 89	125	91⅝	92⅛	+0⅛	+0⅛	13.93
Int Paper O/S Fin 12 91	75	95⅝	96⅛	+0⅛	+0½	12.92
Japan Air Lines 12½ 94	70	94⅛	94⅝	+0⅛	+0⅜	13.83
L.T.C.B. 11⅞ 89	100	91⅜	91⅞	+0⅛	0	14.38
Macy O/S 11¾ 91	100	90⅞	91⅜	0	−0⅛	13.98
Mitsui Trust Fin 12 91	100	89⅜	89⅞	+0⅛	0	14.43
Montreal, City 12½ 91	70	94½	95	+0⅛	−0⅛	13.71
Morgan Guaranty 12¼ 89	150	92⅞	93⅜	0	−0⅛	14.28
Ned Gasunie 11¼ 91	75	89⅜	89⅞	+0⅜	+0¼	13.88
Newfoundland Prov 12 91	75	101⅜	101⅞	+0⅛	+0⅜	12.83
Nippon Credit 11⅞ 90	100	89⅞	90⅜	0	−0⅛	14.29
Nippon Tele 11⅞ 90	100	93¾	94¼	+0⅛	+0⅜	12.88
Nova Scotia Pro 11¾ 91	100	89¾	90¼	+0¼	+0⅛	14.16
Ontario Hydro 11⅝ 94	200	87⅛	87⅝	0	−0⅛	14.06
Prudential 10⅞ 92 XW	150	79¾	80½	+0¼	+0⅛	14.81
Quebec Hydro 11½ 92	100	†89¾	90¼	0	0	13.93
Quebec Province 12¼ 94	150	92⅛	92⅝	+0⅜	+0¼	13.69
Rockefeller Grp 13⅛ 89	100	100⅝	100⅞	+0⅛	+0¼	13.06
Royal Bk of Can 11½ 89	100	90¼	90¾	+0⅛	+0¼	14.40
Saral & Ind Bk 12 91	50	91½	92	0	−0⅛	13.94
Sears O/S Fin 11⅝ 91	150	90½	91	+0⅛	+0⅜	13.81
Sec Pac O/S Fin 11⅝ 89	75	†88½	89	0	−0½	15.12
Sec Pac O/S Fin 12 92	100	89½	90⅛	+0¼	+0⅛	14.15
S.E.K. 11⅛ 89	100	91¾	92¼	0	−0⅛	13.92
Shearson/Amex 12⅛ 94	100	89¾	90½	0	0	14.84
Statoil 12 88	100	95¼	95¾	0	−0½	13.55
Sumitomo Fin 12¾ 91	150	92½	93	+0¼	0	14.46
Sweden Kingdom 12⅞ 89	200	94⅜	94⅞	+0⅛	−0⅛	13.96
Texas Insts Int 11⅞ 91	150	90¾	91¼	0	+0⅛	14.09
Tokai Asia 12⅛ 91	100	91⅜	91⅞	+0¼	−0½	14.25
World Bank 11⅝ 89	300	92	92½	+0⅛	+0⅛	13.71
Yasuda Tst&Fin 12⅜ 89	150	93⅛	93⅝	+0¼	−0⅛	14.34

Average price change On day +0⅛ on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied Chemical 7½ 94	125	99½	100¼	−0⅛	+0⅛	7.51
Amca Int'l 8¼ 01	100	100	100⅝	−0⅛	+0⅛	8.17
A.N.A.S. 8½ 91	150	100⅛	100⅝	0	−0⅜	8.38
Austria Republic 7⅝ 94	200	96⅝	97⅛	−0⅛	−0¼	8.07
Baxter Travenol 7¼ 94	200	97¼	98	−0⅛	+0¼	7.60
Credit National 8⅛ 94	200	96¾	98	0	−0⅛	8.33
Degussa Int Fin 7½ 94	100	99¾	100½	−0¼	−0½	7.47
E.E.C. 8 92	200	99⅛	99⅝	+0⅛	+0¼	8.08
E.I.B. 8 91	250	99⅛	99⅞	+0⅛	+0⅛	8.08
Exxon 8 92	150	98⅜	99⅜	+0⅛	+0½	8.17
Ferrovie Dello Stato 8 91	100	99⅜	100⅛	+0⅛	+0⅜	8.04
Finland Rep 7½ 91	150	96¾	97½	−0¼	−0⅛	7.93
Gould Int Fin 7⅝ 91	100	98¼	99	0	+0⅛	7.85
Int Standard Ek 7⅞ 90	100	101⅛	101⅝	0	+1⅛	7.56
Ireland 8⅛ 92	150	97¾	98½	0	+0¼	8.45
Megal Fin 8¼ 94	150	99⅝	100⅜	0	0	8.24
Mitsubishi Hvy 3½ 89WW	300	98⅞	99⅝	−0½	+0⅜	3.67
Mitsubishi Hvy 3½ 89XW	300	86¾	87⅜	0	+0⅛	6.79
O.K.B. 7½ 89	100	96⅞	98⅝	0	0	7.89
Pepsico O/S Fin 7⅛ 94	250	99½	100¼	+0⅛	+0⅜	7.26
Reynolds O/S Fin 7⅜ 94	125	99⅝	100⅜	0	0	7.40
Societe Cent Nuclear 8 91	100	97¼	98	+0⅛	+0⅛	8.46
Sth Africa Rep 8⅛ 01	200	100⅜	101⅛	+0¼	+0⅜	8.35
World Bank 7⅝ 89	100	99⅜	100⅛	0	−0¼	7.73
World Bank 8 93	200	96⅞	98¼	+0⅛	+0⅛	8.22
World Bank 8 94	200	98¾	99½	+0⅛	+0⅛	8.12

Average price change On day 0 on week +0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia Comm 5⅛ 96	80	†99	99¼	+1	+0⅛	5.22
Canada 5⅛ 92	200	†98½	98¾	+0⅛	+0⅜	5.47
Consol Foods 5¾ 94	200	†100¾	101	+0⅛	+0⅛	5.83
Consol Press 0¼ 94	200	†99¾	100	0	0	0.26
Elec Power Dev 5⅜ 93	100	†98½	98⅞	+1	+0⅜	5.51
FBH 5⅝ 92	110	†97	97⅛	−0¼	−0⅛	6.22
Int-Am Dev Bk 0 96	100	†99½	99¾	0	0	0.04
Japan Fin Corp 5½ 94	100	†99½	99¾	+0½	+0¼	5.55
Japan Highway 5⅝ 92	150	†96¾	97	0	+0⅛	5.60
Kyushu Ele Power 5⅝ 92	100	†100¾	101	+0⅛	0	5.48
Loorbo Int Fin 6⅜ 94	100	†101	101⅛	+0¼	+0½	6.21
Malaysia 8½ 92	80	†97¾	98	0	+0¼	5.85
Manitoba Prov 5⅝ 94	100	†101¾	102	+0⅛	+0⅜	5.50
Mauni Fin Asia 5⅛ 94	55	†98	98¼	0	+0½	5.13
Mount Isa Fin 5⅝ 94	100	†92½	00½	+0⅛	0	5.97
New Brunswick 5⅝ 94	100	†98½	98⅝	−0⅛	+0⅛	5.81
O.K.B. 5¾ 92	100	†100¼	100½	+1⅛	−0¼	5.68
Soc Lux Cent 5¾ 93	100	†99¾	100	+0¼	+0¼	5.70
Spain Kingdom 6⅛ 92	100	†101¾	102	−0⅛	0	5.84
Staatsbetag 0 97	75	†99⅛	99⅜	0	0	6.10
Sweden Kingdom 5⅝ 94	125	†99¾	100	+0¼	+0¼	5.76
Tauernkraftwerke 5½ 94	100	†97¾	98	0	+0⅛	5.79
Tobu Railway 4 92 WW	100	†97¾	98	−0⅛	−0⅛	4.32
Tobu Railway 4 92 XW	100	†85¾	86¼	−0⅛	−0⅛	0.31
Transcanada Pipe 5½ 92	100	†98	98¼	0	0	5.99

Average price change On day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bk 7⅜ 94	15	97½	98	0	+0¼	7.71
Eurofima 7⅜ 94	10	97⅞	98⅜	+0⅛	+0⅛	7.65
New Zealand 7⅛ 90	15	96⅞	97⅜	0	+0⅛	7.73
World Bank 7 94	20	93⅞	94⅜	−0⅛	0	7.98
World Bank 7⅝ 93	20	98½	99	0	+0¼	7.81

Average price change On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
British Col Prov 12 93CS	125	†88⅛	90⅜	+0⅛	+0⅛	13.90
Brit Col Tel 12⅛ 99 CS	70	†93⅜	94⅛	+0⅛	+0¼	13.10
Canadian Cos 12⅜ 99 CS	60	†93¼	93¾	+0⅛	−0⅛	13.38
C.N.E. 13 93 CS	50	†96⅝	96⅞	+0⅛	+0⅛	13.65
Montreal City Of 12 90 CS	50	†96	96½	−0⅛	−0¼	12.65
Quebec Hydro 14 01 CS	75	†102⅝	103⅛	+0¼	+0⅛	13.31
Vancouver City Of 13 94CS	30	†98⅛	98⅝	+0⅛	+0⅜	13.20
Austria Rep 10¼ 93 ECU	100	94⅞	95⅞	0	+0¼	11.40
GTE Fin 10⅜ 92 ECU	50	96⅛	97¼	−0⅛	−0⅛	11.51
Aegon 8⅛ 89 FL	100	99⅝	99⅝	0	+0½	8.41
Beatrice Foods 8¼ 89FL	100	99¼	99¾	0	+0⅛	8.37
Denmark 8½ 91 FL	100	97⅜	97⅞	0	−0⅛	8.97
Electrolux 8 89 FL	60	98⅛	98⅝	0	+0½	8.82
Rank Xerox Fin 8¼ 89FL	75	98½	99	−0⅛	+0⅛	8.57
World Bank 8⅛ 89 FL	150	98	99½	0	+0¼	8.43
O.K.B. 14 86 FF	400	100⅞	101⅜	0	−0⅛	12.86
Solvay & Cie 14¾ 86 FF	200	101⅜	102⅜	−0⅛	−0⅛	13.31
Air Canada 11¼ 94 £	40	92½	93	0	0	12.56
Commerzbank 11½ 90 £	25	99	99¾	+0⅛	−0⅛	11.61
Cncl Europe 11⅞ 92 £	50	94½	95	+0⅛	+0⅛	12.47
Denmark 10¾ 89 £	75	93½	94	0	−0⅛	12.54
E.E.C. 11⅜ 94 £	50	94	94½	0	+0⅛	12.48
E.I.B. 10¾ 02 £	50	91¼	91¾	+0⅛	+0⅛	12.51
Forsmarks 10⅝ 99 £	40	93⅜	94⅛	0	+0¼	11.53
I.O.J. 11⅝ 95 £	30	96⅜	97⅛	0	0	12.14
I.T.T. 10¾ 93 £	25	93⅛	93⅝	+0⅛	+0⅛	11.83
Int Stand Ele 11⅛ 88 £	50	98⅞	99⅜	+0⅛	+0⅛	11.52
Ireland 11⅞ 94 £	50	91⅜	92⅛	0	+0⅛	12.88
New Zealand 10⅝ 89 £	100	94⅛	94⅝	+0⅛	+0⅜	12.17
SNCF 11⅛ 94 £	80	92⅛	92⅞	0	0	12.81
Sth Africa Rep 12½ 89£	40	98½	99	0	0	12.85
World Bank 10⅝ 89 £	100	93⅞	94⅜	0	+0⅜	12.25
Electrolux 10 89 LF	500	98½	99½	0	+0½	10.25
Cncl Europe 10⅝ 93 LF	600	101¾	102⅜	+0⅛	+0½	10.40

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Arab Banking 5¼ 96	0⅛	†98⅞	99⅛	15/9	10.81	10.96
B.B.L. Int 5 99	0⅛	98⅜	98⅝	11/10	11.19	11.36
Bank of Montreal 5 89	0⅛	99¾	100	27/10	11.10	11.20
Bankers Trust 5¼ 98	0⅛	99⅞	100⅛	10/8	11⅝	11.75
Banque Indosuez 5¼ 99	0¼	99⅜	99⅝	21/9	11.06	11.12
Barclays O/S Inv 5 2004	0⅛	98⅛	98½	2/8	10.56	10.74
BFG Fin 5¼ 99	0⅛	98⅜	98⅝	1/9	11⅞	12.06
Commerzbank 5¼ 89 XW	0	99⅛	99⅜	21/8	11.10	11.24
Dai-Ichi Kangyo 5¼ 96	0⅛	99	99½	10/11	12⅛	12.22
Dresdner Fin 5¼ 89	0	99¼	99½	23/8	11⅝	11.70
E.D.F. 5¼ 99	0⅛	98⅞	99⅛	23/8	10.56	10.67
Ferrovie State 5¼ 99	0⅛	98⅛	99⅛	31/8	10.69	10.75
Gotabanken 5⅛ 94	0⅛	92¼	92½	10/11	12.14	12.38
Lloyds Euro 5 2004 §	0⅛	99⅛	99⅜	10/10	11.31	11.51
Midland Int Fin 5 99 §	0⅛	99½	99⅞	6/8	10.50	10.71
Mort Bk Denmark 5⅛ 89†	0⅛	99⅞	100⅛	11/8	11	11.00
Nat West-Perp 5 89	0⅛	100	100⅛	10/11	12.40	12.42
Oslo Land 5¼ 99 §	0⅛	97⅞	98⅛	11/10	11.19	11.42
Queensland Coal 5¼ 96	0¼	98⅛	100⅛	8/11	11⅝	11.81
Societe Gen 5¼ 94	0⅛	99	99⅛	10/8	10.18	10.27
Spain 5⅛ 91	0⅛	99⅛	99⅜	23/8	10.56	10.70
Sweden Kingdom 5¼ 2024	0⅛	†97⅞	98⅛	22/8	11.10	11.40
Takugin 5¼ 94 §	0⅛	98⅛	98⅜	15/8	10⅝	10.82
Tokai 5¼ 99	0⅛	99¾	100¼	12/12	12½	12.50
Toyo 5⅛ 99	0⅛	99⅞	100	14/12	12¾	12.84

Average price change On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1150	94⅛	95⅜	−1⅛	1.03
BBC Brown Boveri 4¼ 95	2/84	188	†92	93½	0	1.12
Daiwa Sec Co 5½ 98	10/83	481.8	†111	112½	−2½	−3.88
Fanuc 3¼ 98	1/84	8142	†17	118	−1	35.83
Fujitsu 3 99	5/84	1328.9	92⅛	93⅛	−0½	3.56
Honda Motor 5⅛ 98	6/83	884	130⅞	131⅞	−3⅛	−1.57
Konishiroku Photo 4 98	10/83	873	86	83	−1⅛	2.88
Minebea Co Ltd 5½ 89	5/83	887	102⅝	103⅝	−0⅝	1.89
Mitsukoshi Elec 5⅛ 98	8/83	398	90⅛	87⅛	−7½	9.85
Mitsubishi Heavy 4¾ 99	1/84	253	87⅛	88⅛	−0⅝	−0.75
Murata 3½ 99	2/84	2939	101⅞	102½	−1⅛	22.41
Nippon Oil Co 3⅛ 00	3/84	1052	99	98	−1	4.44
Nippon Oil Co 5½ 96	4/83	864	98	99	−1⅛	3.82
Nissan Motor 5¼ 98	4/83	700	85½	86⅛	−2	7.44
Ono Pharm'cal Co 3¼ 98	3/84	9480	125⅞	127½	−2½	38.23
Orient Leasing 5⅛ 98	6/83	2688	116⅞	118⅛	−1⅛	−5.14
Secom 5 98	11/83	2928	182⅜	184⅛	−2⅛	9.48
Sekisui House 3 99	6/84	612	93⅝	94⅜	−1⅛	−2.23
Sumitomo Corp 2⅛ 99	5/34	593	84⅜	85⅝	−1⅛	9.90
Yamaichi Sec Co 5 83	8/83	449.6	112	113½	−1⅜	−3.16
Yamanouchi Pharm'cal 4 90	10/83	1600	99⅞	91½	−2	28.87
Nippon Oil Co 2⅞ 92 SF	3/84	1052	†103	103¼	+0½	11.84
Nippon Shinpan Co 2 92 SF	3/84	801	†91	91½	+0⅜	25.87
Sanyo Paper 2⅛ 92 SF	4/84	677	†132½	133	+7⅛	3.12
Asics 5 92 DM	12/83	526	101⅛	102⅛	−0⅛	18.89
Sun Realty 0½ 92 DM	2/83	365	144⅛	145⅞	+0⅛	−3.14

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte – Date next coupon becomes effective. Spread – Margin above six month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

EUROBONDS

Citicorp launches $100m issue

By Peter Montagnon in London

THREE fixed rate dollar Eurobonds were sprung upon an unsuspecting market yesterday with the launch of $100m issues for both Citicorp and Tokyo Electric Power as well as a $30m bond for Sapporo Breweries of Japan.

The deals were generally well received in otherwise quiet trading with most dealers staying on the sidelines ahead of today's holiday in the U.S. and completion of this week's U.S. Treasury financing programme.

BHF Bank bond average		
July 3		Previous
98.927		98.996
High	1984	Low
100.009		98.056

Tokyo Electric Power, which is the largest privately owned electric utility in the world, made its debut in the Eurobond market with its five year 13⅝ per cent issue launched at par by lead manager County Bank. By last night the bonds were trading at around 99, well within their total fees of 1⅞.

The Citicorp deal bears a 14 per cent coupon and issue price par. It has an initial maturity of two years but can be extended each two years until 1994. This means the market can treat it as two year paper and bank inverstors with access to two year deposits can fund the issue at an automatic profit.

Quadrex Securities, which is leading the issue alongside Blyth Eastman Paine Webber, quoted the paper at a discount of ⅜ per cent last night, just within its fees. But Citicorp has had to pay a high price to get its deal away. The coupon is more than a full percentage point above the two year bond launched for GMAC ten days ago.

Bankers say, however, that both these issues reveal the market's willingness to absorb generously priced fixed rate issues despite the current interest rate and withholding tax uncertainties.

Sapporo Breweries' issue is led by Yamaichi and Salomon Brothers and bears a 13½ per cent coupon at par over five years.

In Germany Ford Credit has been awarded a 7⅞ per cent coupon at par for its DM 75m five year private placement led by Commerzbank while Haindl Papier's DM 70m seven year issue led by Bayerische Vereinsbank will carry a coupon of 8 per cent and issue price of 99½.

Portugal credit increased

By Diana Smith in Lisbon

PORTUGAL has met such a warm response to its plan to raise a $300m Eurocredit that the amount was increased yesterday to $400m even before syndication started.

The decision was taken at a meeting between Sr Victor Constancio, deputy governor of the Bank of Portugal, and 23 banks which have accepted invitations to lead the credit.

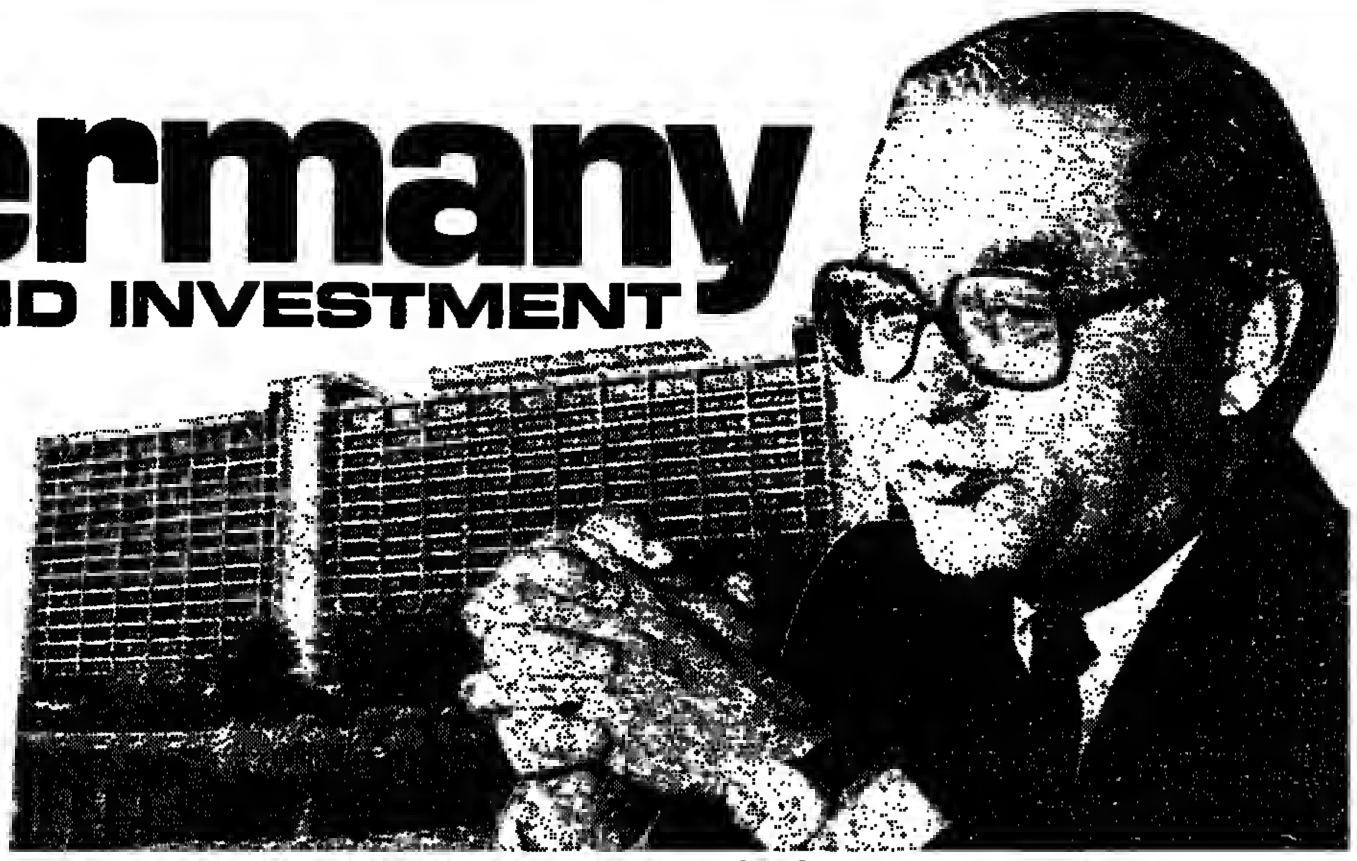
Portugal has adopted a somewhat unusual approach to this loan by inviting banks to participate on terms which it has itself decided. This is instead of seeking competitive bids from groups of banks wishing to bring the deal to the market.

But the margin it is offering of ⅜ per cent over Eurocurrency rates for seven years has aroused considerable interest in the market.

FINANCIAL TIMES SURVEY

West Germany
BANKING, FINANCE AND INVESTMENT

West Germany's banks have recovered well from the problems posed for them by industrial collapses at home and the debt crisis abroad but they now face a more regulated future. Encouraging the development of new sources of finance for companies is an important aim


Herr Karl Otto Pöhl, president of the Bundesbank: a happier man these days now that his policy stance has been vindicated.

Dawning of a new day

By Jonathan Carr

THE West German banks have entered their third major phase of development in the postwar period. They have learnt a lot—and are now more profitable than they have been for a long time. They need to be.

In the first phase lasting until about the mid-1960s, the banks helped bring abont the so-called "economic miracle" and enjoyed the fruits of it. Gross National Product (GNP) grew at an annual average of around 7 per cent in real terms (after allowing for the minimal rate of inflation), unemployment hardly existed, and the Germans gobbled up a growing share of world trade in an environment of stable interest and exchange rates. Like Germany's economic take-off in the late 19th century, the postwar recovery was based not least on the close ties between the banks and their industrial customers; and tha profits of both partners floated up irresistibly like hydrogen-filled balloons.

The second phase through to the end of tha 1970s was one of bectic expansion in a far more turbulent economic, political and social environment. Trua there were fewer banks but they had far more branches (nearly 40,000 in 1980 compared with 25,000 in the mid-1960s) all battling for the services of every last individnal customer. It was the age of *"Massengeschäft"* or banking for everyone.

At the same time the banks extended their foreign network and estahlished themselves in the burgeoning Euromarkets, helping to finance Germany's export effort and to "re-cycle" the surplus funds of the oil prodncers. Desplte faltering GNP growth, much higher inflation and floating exchange rates, business volume boomed (from around DM 500bn in the mid-1960s to over DM 2,000bn by 1980). But the profits and capital base of the banks did not keep pace. And wben the Bundesbank, the central bank, warned quite early on abont the dangers of "over-recycling" (ie, excessive lending to sovereign borrowers of doubtful economic bealth) it was widely treated as a stick-in-the-mud.

The second oil crisis of 1979-80, and tha direct combination of deep recession and high interest rates which followed, ushered in the third phase. At bome the close involvement with industry which paid off handsomely in the 1950s now cost the banks dear. The bail-ont of the financially-stricken electricals concern AEG-Telefunken, was only the most dramatic example among many. Abroad the "Poland shock," the first round of the debt crisis in which German banks, for political and historical reasons were especially heavily involved, was followed by the "Latin American shocks." For the banks retrenchment became the order of the day and a new profits consciousness emerged.

On the whole the banks have done well, achieving much higher profits in 1982 and 1983 and bolstering their provision for loan losses almost certainly by far more than their deliberately mystifying balance sheets reveal.

They bave *been helped* in *this* strategy both by official encouragement and by some arm twisting. For one thing the Bundesbank engineered a long and continuous cut in interest rates, which allowed the banks to reduce their funding costs more quickly than their lending rates. For another thing the tax authorities (at the behest of tha Bonn Government) have been

generous in the scope they have allowed the banks to set their write-offs against current earnings. There is no doubt that both the central bank and the Government were at least partly infinenced by their recognition that the banks need to cushion themselves against the impact of the debt crisis.

Moreover from 1980 at the *latest it has been clear* that Bonn would eventually take formal steps to rein in the lending growth of the banks foreign subsidiaries, especially those in *Luxembourg.*

At present the German parent banks must limit their lending to a maximum of 18 times sharebolders' equity, but they do not bave to inclnde the business of foreign subsidiaries in the calculation. Under changes in banking law due to come into force at the start of next year, the banks will bave to publisb consolidated accounts for all aubsidiaries in which they have and at least 40 per cent stake and apply the "18 times" rule to the total lending sum. The implication is that they will either have to cut their lending exposure or increase their equity.

There bave been heated criticisms in detail by some of tha hanks, not least on grounds that the five-year transition period foreseen hy the Government to apply the new rules in full is not long enough. But broadly speaking the controls are in line with the more circumspect policies the banks have already been *pursuing for some years.*

It would not be fair to criticise the German banks in isolation for failing to forsee the full hazards of foreign lending in the 1970s. *Very few* institutions in any country (the Bundesbank, as mentioned, is one exception) did so either.

At least the Germans drew prudent policy conclusions from the debt sbock, even if there is little consensus among them about bow best the crisis might be handled in the longer run.

Nor would it be reasonable to see in the most spectacular German banking event of the last year—the near-collapse of Schröder, Münchmeyer, Hengst after over-lending to an indus-

trial client—a sign that the system itself is unsound. Indeed the speed with which other banks rallied round to limit the scope of the SMH debacle (admittedly with prodding from the Bundesbank and federal supervisory authorities) shows a lot *of* lessons bave been learned since the Herstatt affair a decade ago.

If the German banks can be chided it is on quite other grounds. *Over the years they* surely did far too little to encourage industrlal companies to strengthen their capital base and, eventually, to go to the stock market. As a result German industry was unusually vulnerable to the recent recession, as the record number of corporate bankruptcies empasises only too well.

Admittedly there are now clear slgns of a cbange in German attitudes. More enterprises are slowly coming to the bourse, the hanks are working for modest stock market reform —and are even gingerly poking their toes into the risk capital business. But collectively the banks could act as much more of a catalyst to all of this without offending their principles of prudence or undercutting their profits. Indeed real prudence and the door to future profits may well lie in encouraging those smaller companies in high-growth technology sectors on which Germany's future economic health will greatly depend.

Risk provisions help ward off insomnia

Commercial Banks

JONATHAN CARR

"IN VIEW of international uncertainty we would not have been able to sleep well for a single night if we had put aside even one Deutsche Mark less than we have for risk provision."

The comment, made by Dr Wilfried Guth, co-chairman of the Deutsche Bank, at the annual general meeting last month, may have caused some head-scratching among unwary shareholders. After all, the balance sheet for 1983 showed both the parent bank and the Deutsche Bank group putting aside much smaller sums than they did in 1982 for losses incurred, and provision for losses on loans and securities. Might it not be fair to deduce from these published figures that Deutsche Bank feels it can relax its guard because the foreign debt crisis has greatly eased?

The answer is that neither the Deutsche nor any other German bank thinks anything of the sort. True the economic recovery at home is easing the plight of many of the banks' industrial customers after the squeeze of the recession years. Even the once-stricken electricals concern AEG-Telefunken, whose rescue from collapse cost the banks dear, has struggled back to profit after a slimming cure. To that extent Dr Guth and his colleagues can breathe a lot more easily.

But abroad the true extent of credit risk remains, literally, incalculable. How are the banks to judge the political will of the government of a deeply indebted state to hold to a tougher domestic economic strategy and keep up interest payments? How are they to measure the ability and willingness of other international banks to keep putting up the "fresh money" for debtor countries which will make further interest payments possible?

Given this basic uncertainty, how can Deutsche Bank (the biggest and, it must be said, most successful of the German banks) apparently be making far less risk provision? In fact it is not. While the Deutsche slightly cut the sum set aside for domestic risk it boosted its provision for foreign risks by about as much as in 1982—though you will search the balance sheet fruitlessly for clear evidence of this.

DRESDNER BANK

This is because German accounting practice allows the provisions figure to be offset against (undisclosed) own-account trading profits in securities before being published. Thus when the Deutsche's annual reports reveal the parent bank has stashed away DM 3.4bn in provisions over the past four years, the real total can be taken as markedly higher. The same point applies to Deutsche's rivals—albeit to a lesser degree.

HYPOBANK

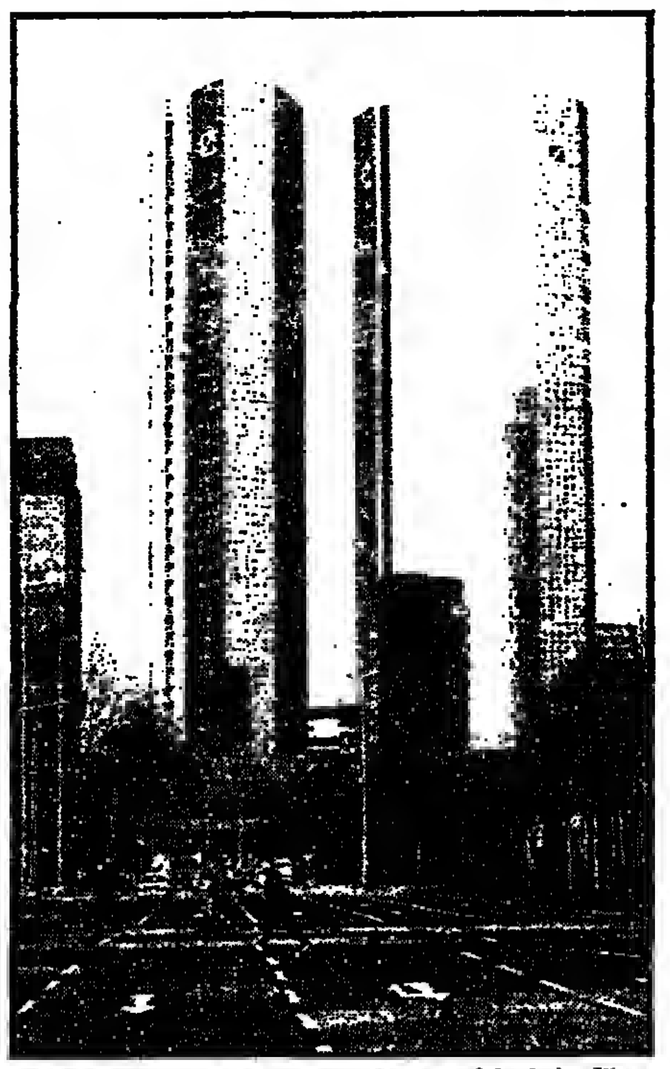
Even if the published figures do not pin down the banks' exact positions, they do show a pretty clear trend. According to the latest Bundesbank figures available (compiled from the banks' balance sheets), all German banks together set aside DM 12.1bn in provisions and loan write-offs in 1982.

This compares with DM 9.1bn in 1981 and just DM 5.4bn in 1980. Well over one-third of the 1982 figure, or DM 4.5bn, was accounted for by the commercial banks — that is mainly the so-called "big three" Deutsche, Dresdner and Commerzbank as well as the two Munich-based banks, Bayerische Vereinsbank and Bayerische Hypotheken-und Wechselbank.

The sharp rise of these sums illustrates the impact both of domestic recession and of the foreign debt crisis. It is unclear how much of the total is accounted for by actual losses, how much by provision for possible losses. Nonetheless, the figures can be taken as partial evidence that the banks did not just see the dangers mounting abroad but took action to cushion themselves against future shocks.

They were able to build up their risk provision as much as they did thanks to the sharp —but again not precisely quantifiable — boost in profits in 1982 and 1983. Normally the banks have given their "partial" operating profit figures (net interest and commission income, less personnel and administrative costs) but have not revealed their full operating profit, which includes the results of own-account trading.

For 1983 several banks have been a bit less coy, with Commerzbank revealing that group operating profit totalled close to DM 1.2bn and Dresdner reporting its group result over DM 2bn. Comments by the Deutsche indicate parent bank operating profit alone must have been close to DM 2.8bn and the group figure around DM 4bn.



Testament to the largest and most successful of the West German banks, the twin towers of Deutsche Bank's new headquarters in Frankfurt.

The main reason for the profits boost is that with the Bundesbank generating a fall in interest rates since 1982, the banks have been able to cut their lending rates more slowly than their funding costs. As a result the Deutsche was able to push its interest margin to 3.3 per cent last year against 3.1 per cent in 1982, the Dresdner to 2.9 per cent after 2.6 per cent and the Commerz to 2.8 per cent after 2.0 per cent. The results this year seem certain to be somewhat less good than they were last—but still good enough to maintain dividends, increase risk provision and move towards fulfilment of the more stringent capital-lending ratios foreseen in the Government's proposed new credit law amendments.

That said, have the banks done enough to shield themselves against the risks of their foreign lending? Given the political uncertainties even the banks, with full access to their own profits, provision and outstanding credit figures, cannot be too sure. The Deutsche Bank group, for example, has lent more than DM 7bn to countries involved in debt rescheduling, the Commerz around DM 6bn and the Dresdner more than DM 5bn. But compared with U.S. banks, the Germans are far less involved in the crucial Latin American region and they seem to have built up bigger reserves.

Moreover the German banks, unlike the U.S. ones, are not subject to the rule under which a loan is declared a non-performing asset if interest on it is not paid for 90 days.

COMMERZBANK

But if the Germans have more room for manoeuvre than the Americans, they are hardly closer to a common view on the next steps to try to ease the debt crisis. The Deutsche, for example, presses for measures to capitalise the interest rate burden of the developing countries, thus at least buying the needy nations more time. But then the Deutsche can fairly easily afford to renounce the immediate interest income this plan would involve. Some other leading German banks would find it much harder.

Looking further ahead, the Deutsche estimates in an internal study that the countries involved in debt rescheduling will have a net credit need of around US$100bn in the five years 1984-88. The bank concludes that the world's commercial banks together would not be able to put up more than 40 per cent of that sum, implying markedly bigger financial efforts for the debtor countries will be needed by the IMF and other public bodies.

Moreover, that $100bn figure is based on the assumptions that the oil price will not rise by more than 3 per cent annually, that Libor will average 10 per cent this year and 9 per cent thereafter, and that the GNP of the industrialised countries will grow by 3 per cent in real terms each year. It goes almost without saying that those are pretty optimistic assumptions. Little wonder that Dr Guth is boosting foreign risk provision to help ensure a good night's sleep.

TOP 10 WEST GERMAN BANKS

1983	1982†	Bank	Balance sheet totals 1983 DM m	1983 DM m
1	(1)	Deutsche Bank, Frankfurt	210,000.0	199,200.0
2	(2)	Dresdner Bank, Frankfurt	160,834.0	155,304.0
3	(3)	Westdeotsche Landesbank Girozentrale, Düsseldorf	139,409.3	132,953.0
4	(5)	Bayerische Vereinsbank, Müncben	113,530.0	105,548.0
5	(4)	Commerzbank, Frankfurt	113,250.0	108,234.0
6	(6)	Bayerische Landesbank Girozentrale, München	100,005.0	95,936.0
7	(7)	Bayeriscbe Hypothekenund Wechsel-bank, Müncheo	97,144.0	92,072.0
8	(11)	Norddeutsche Landesbank Girozentrale, Hannover und Braunschweig	83,653.1	59,543.5
9	(8)	DG Bank Deotschc Genossenschaftsbank, Frankfurt	77,665.0	69,611.0
10	(9)	Kreditanstalt für Wiederaufbau, Frankfurt	72,744.0	66,618.0

† Position for 1982.

Source: Schmacke "Die Grossen 500."

WEST GERMAN BANK OFFICES

Banking group	Banks 1983	Branches 1983	Bank offices total 1983	1983 Year-on-year change in number of bank offices Number
Commercial banks	243	5,938	6,181	— 17
Big banks	6	3,113	3,119	— 2
Regional banks and other commercial banks	100	2,514	2,614	— 18
Branches of foreign banks	58	50	108	+ 2
Private bankers	79	261	340	—
Central giro institutions	12	257	269	— 4
Savings banks	592	17,076	17,668	+ 52
Central institutions of credit co-operatives	9	45	54	+ 52
Mortgage banks	37	28	65	— 4
Private	25	22	47	— 1
Public	12	8	18	— 2
Instalment sales financing institutions	87	565	652	— 74
Banks with special functions	16	77	93	+ 1
Building and loan associations	21	18	39	—
Private	18	18	36	—
Public	3	—	3	—
Banking groups not covered by the monthly balance sheet statistics	77	1	78	— 1
Investment companies	35	1	36	—
Securities depositories	8	—	8	—
Guarantee banks and other banks	34	—	34	— 1
Total	4.848	39,831	44,669	— 183

Source: Bundesbank

MONEY & CREDIT AT YEAR END

	1981	1982	1983
		DM billion	
Bank loans to private companies*			
Sbort-term	244.3	252.5	262.1
Medium and long-term	532.3	562.2	601.8
Bank loans to private individuals*	411.9	437.5	478.0
Bank loans to public-sector*	333.3	357.9	368.7
Customer deposits with banks*			
Sight	170.4	183.0	198.8
Time	404.0	420.1	436.6
Savings deposits and certificates	593.7	640.9	684.0
Cash in circulation	91.6	96.7	104.7
Central bank money stock (4th qtr to 4th qtr)	+3.6%	+6.1%	+7.0%
Discount/Lombard rate (yr-end)	7.5/9%	5/6%	4/5.5%
CAPITAL MARKET	1981	1982	1983
Fixed securities		DM billion	
Gross sales† of domestic bonds	186.2	311.6	226.7
Gross sales of foreign DM bonds	5.7	12.9	17.0
Net sales† of domestic bonds	67.1	74.5	87.6
Outstanding at year-end	696.1	773.9	865.5
Inclnding: DM-foreign boods	80.3	83.6	87.6
Yield at year-end‡	10.6%	9.1%	8.0%
Officially quoted shares			
Total market valne at year-end	141.1	162.9	225.7
Dividend yield††	5.8%	4.9%	3.3%
Commerzbank Index (changes)	−1.2%	+13.1%	+36.5%
Capital increases** (cash proceeds)	2.6	2.8	2.7
Stock exchange trading	30.9	35.2	84.1
Investment funds, small investors			
Net sales	−2.53	+1.00	+3.82
Including: bond funds	−1.34	+1.34	+1.72
equity funds	−1.11	−0.67	+0.57
real estate funds	−0.09	+0.34	+1.52
Total assets as at year-end	30.0	33.8	38.8

* Domestic only; † nominal; ‡ domestic securities outstanding; †† including income tax; ** according to Commerzbank statistics. (Source: Commerzbank.)

Tighter supervisory laws

Regulations
RUPERT CORNWELL

Unruffled by the kerfuffle the proposed new laws have caused. Finance Minister Herr Gerhard Stoltenberg (left) pictured with West German Chancellor Herr Helmut Kohl at the recent Economic Summit in London.

BY THE beginning of next year quite improbable. Parliamentary accidents permitting, West Germany's bank supervisory laws should be notably tighter. It will have been a long haul — over eight years in fact—but from January 1, 1985 new regulations are due to come into force, which will oblige German banks to consolidate most of their foreign operations, and limit their exposure to single borrowers.

The amendments in the banking law were first aired back in the mid-1970s, shortly after the sensational collapse of the Herstatt banking house of Cologne. But it was only last autumn that the process gained vital impetus, as the venerable Frankfurt banking house of Schroeder, Münchmeyer, Hengst (SMH) came close to meeting a similar fate.

That the proposals, which received a first reading in the Bundestag on June 8, are comparatively mild and anything but a surprise might not have been evident from the hullabaloo raised about them in some quarters of the German banking industry. In fact they are hardly draconian by international standards, and essentially will bring West Germany into compliance with new Common Market banking norms, scheduled to take effect from mid-1985.

The draft amendments cover 46 pages of bureaucratic, legalistic German. But their substance is quickly stated. In future German banks will have to consolidate the operations of all foreign associates in which they have a stake of 40 per cent or more (hitherto only 100 per cent owned subsidiaries have been involved).

At the same time, banks will be obliged to limit lending to a single customer to 50 per cent of their capital, compared with 75 per cent at present. Mortgage banks, mostly owned by the big commercial banks, will also be drawn into the consolidation process.

Both considerations of course played a crucial part in the SMH debacle, provoked directly by the bank's incestuous links with the failed IBH construction equipment concern of Herr Horst-Dieter Esch. As German banks put together an emergency DM 800m package to prevent SMH's immediate demise, it transpired that the bank had lent recklessly and excessively to IBH, with much of the money being channelled through Luxembourg and Switzerland, largely beyond the scrutiny of the Federal authorities.

Would such provisions have been enough to save Schroeder Münchmeyer? Perhaps not, say Finance Ministry officials in Bonn closely involved with the new bill. "But we certainly wouldn't have been caught so much by surprise, and the size of the disaster certainly wouldn't have been so great."

Indeed the 40 per cent consolidation figure is a compromise. The EEC regulations would like to go as low as 25 per cent, while the German banking industry would have preferred consolidation to be limited to majority-controlled foreign subsidiaries. The Ministry reckons that 40 per cent is fair—even though it concedes that just 11 per cent tucked away in some impenetrable nominee company (or Strohmann, literally "straw man," as German picturesquely has it) could be enough to defeat the object of the amendment.

In the meantime, foreign subsidiaries will be henceforth subject to the ruling long in force for the domestic operations of German banks, that the volume of credit advanced must not exceed 18 times their "own-capital," i.e. paid up capital plus reserves.

The men from the Ministry, smilingly unruffled by the kerfuffle, like to point out that most banks have declared themselves happy to go along with the new rules—especially as Herr Gerhard Stoltenberg, the Finance Minister, has granted a five year transition period for the banks to conform. This, moreover, can be extended, if a bank can point to genuine progress over three years, but produces convincing arguments why it cannot go the whole hog in the remaining two.

That may well be true. But some leading bankers, as well as the BDB, the Federal Association of German Banks, differ. Their broad complaint is that the package is an over-reaction to the SMH affair—which not only was an isolated case but also one which the banking community handled very deftly on its own.

Specific grievances

In addition there are a range of specific grievances, most pungently expounded lately by Herr Walter Seipp, the chief executive of Commerzbank. He argues that the measures would bear unfairly upon the private banks, which have been most active abroad. Moreover, he adds, the adjustment process might by no means be as painless as suggested.

The extension to the foreign subsidiaries of consolidation, and the "18-times-own-capital," could in theory imply a downward adjustment of future permitted lending by all banks together of DM 70bn, or more. This in turn could damage the quality of the loan portfolio of major banks, and favour foreign-owned banks at the expense of their German competitors, according to Herr Seipp.

Common ground to both sides is that, on the basis of end-1982 figures, 23 of the 50 parent banks obliged to produce consolidated accounts would be over the limit. But, according to the officials, "only 11 or so" of these might have any problem getting back inside the new ceilings. In any case, they point out, German banks have been raising their capital base lately at a rate easily sufficient, if sustained, to produce the extra cover required.

A separate gripe has been the inclusion of mortgage banks, a measure against which Count Otto Lambsdorff, the Economics Minister, among others, fought. The mortgage banks' reasoning was that the solid real estate guarantees behind their loans made them so solid as to render the new curbs unnecessary. Instead the upshot might be a squeeze on housing finance.

But the Finance Minister has been resolutely unimpressed, insisting that whatever their assets, the mortgage banks were nonetheless banks, and deserved similar treatment to everyone else.

The chances must be that the Bill will go through to the statute book, at least in its vital essence. All the major parties, even the Greens party, have broadly endorsed the proposals, although of course minor changes may well be tacked on when detailed debate gets under way.

Equally obviously, the new Bill will not solve everything. "We have tried to strike a compromise," officials say, "between protecting the credibility of the system and yet preserving a liberal and competitive structure for our banks."

Decoupling of interest rates the buzz-word

Eurobonds
MARY-ANN SIEGHART

THE BUZZ-WORD in the D-Mark international bond market is "decoupling." The sector has found itself annoyingly dependent on rises and falls in the U.S. domestic bond market over the last year, with only a short respite at the beginning of 1984.

Only when the D-Mark has been strong against the dollar and capital has flowed into Germany, has a decoupling of interest rates between the two markets been possible. For instance, in the first three months of this year, interest rates rose in the U.S. and fell in Germany, mainly because the Mark rose by more than 10 per cent against the dollar between mid-January and early March.

While German investments in foreign securities exceeded foreign investments in German securities by DM 8.66bn ($3.17bn) in 1982, the position was reversed last year, when there was a net inflow of foreign capital amounting to DM 3.2bn.

But most of this happened in the last quarter of 1983. In the summer, rising dollar interest rates dragged down prices of D-mark as well as Eurodollar bonds and new issues became very difficult to absorb. At one point, the calendar had been so heavy that a three-week gap was needed for the overhang to disappear.

In the third quarter of 1983, only 20 issues were launched, compared with 40 in the second quarter. It was not until November that the market was receptive enough for the monthly new issues calendars to total more than DM 1bn again.

But despite these occasional hiccups forced on the market by events in the U.S., total new issue volume for the year was up from DM 12.7bn to DM 15.9bn. And the proportion of D-mark bonds in all international bond issues also rose—from 7.1 per cent to 8.5 per cent. In terms of volume, the market is in third place behind dollars and Swiss francs.

Unlike 1982, when there was a clear downward trend to interest rates, new issue managers had to rely on the odd trough in rates last year to find buyers for their bonds. In fact, coupons on DM bonds were about 1 per cent higher at the end of the year than they had been at the start.

Increased lustre

Even now, coupons are slightly higher than they were a year ago. The latest DM 300m offering from the World Bank, for instance, yielded 8.125 per cent at its issue price compared with 7.6 per cent on its DM250m bond launched at the end of last May.

Now that the dollar has regained at least some of its lustre, and the difference between dollar and D-mark interest rates is a good 5 or 6 percentage points, the DM bond market does not look so attractive to investors.

The recent statistics on capital movements bear this out. In April, inflows and outflows were more or less balanced, while in May, there was a small net outflow from Germany. The country's labour problems, illustrated by the metal-workers' strike, have helped neither the Mark nor the market.

Though there has been nothing like the selling pressure seen in the U.S. domestic and the Eurodollar bond markets, there are few buying orders around. "The market has come to a complete standstill," said one banker.

What is needed is a strengthening of the currency, and in terms of fundamentals, this could well happen. Germany has a surplus on its current account balance and is reducing its public spending. Inflation, meanwhile, is at around 3 per cent, giving a real rate of return on the bonds of up to 5 per cent.

Yet the market is still going to have the problem of a new issue overhang. Despite its unhealthiness in May, bankers set a new issue calendar totalling DM 1.345bn over the four weeks to July 6—reasonably heavy even for an active market.

With six issues totalling DM 545m scheduled for the first week of July, many bond traders may be glad to be going on holiday.

Bonn's blue chip would be shareholders' dream

WHAT WOULD you not give for shares in a bank which last year had receipts totalling more than DM 15bn and expenditure (excluding addition to reserves) of only DM 1.4bn? Unfortunately all the capital of the institution concerned, the Deutsche Bundesbank, is held by the Federal Government and it isn't selling—at any price.

Perhaps, surprisingly, rather little (DM 2.1bn) of the Bundesbank's receipts came from foreign currency dealings. Nor were higher interest rates the cause for the buoyant earnings. The main reason was the fall of the D-mark against the dollar — which just shows that it is an ill wind which blows no-one any good!

Of a total DM 13.1bn received by the Bundesbank in interest income last year, no less than DM 9.4bn (compared with DM 8bn in 1982) came from its funds invested abroad. Since most of the funds were in dollar holdings, the drop of the German currency meant an increase in dollar interest income expressed in D-Marks (as, of couse, it is in the central bank's accounts).

The Bundesbank did nothing like as well at home. It received only DM 2.9bn in interest income instead of DM 5bn in 1982 from its lending to domestic banks, mainly because it contined to drop its own key discount and lombard rates. On the other hand the Bundesbank had nothing much in the way of interest to pay—and relatively few other expenses either (the main one was DM 720m for the costs of its 15,000 personnel in Frankfurt and the provinces).

After adding to reserves the central bank was left with a record DM 11.4bn profit, but had to hand over every last pfennig to the government. In previous years the Bundesbank has complained because it feels the payout of similar (but smaller) lump sums for immediate use by Bonn interferes with money supply policy. This time Bonn generously agreed to take just DM 5bn right away and the rest in monthly instalments.

Happiness is policy vindication

Bundesbank

JONATHAN CARR

HERR Karl Otto Pöhl, President of the Bundesbank seems to be all smiles these days. That can hardly be because the central banks he heads has just had its second highly profitable year in a row. Most of the earnings must be turned over to the federal government—and what Bonn does with the money is not always helpful to Bundesbank Policy.

No! If Herr Pöhl and, indeed, most of his colleagues on the central bank council look well content it is because they have been through very tough years and emerged with their policy stand vindicated — in general if not always in detail. It is fair to say that the prestige of the Bundesbank as a "defender of the currency" largely independent of political pressures has never been higher.

Perhaps the most obvious measure of Bundesbank success is that D-Mark interest rates are now well over 5 per cent lower than dollar rates, without encouraging massive outflows of capital and a sharp drop in the German currency. True, the D-Mark has fluttered about a bit this year, at one time dropping to DM 2.84 against the dollar. But tha Bundesbank has been able to look on this development with equanimity. Although it raised discount rate by 0.5 per cent to 4.5 per cent last week, it kept the Lombard rate (at which advances are granted to tha banks against securities) at 5.5 per cent. Moreover, the discount move was accompanied by steps to provide extra liquidity for the banks, and thus did not signal a tighter monetary policy.

That U.S.-German interest rate differential could hardly have been treated relatively lightly by the Bundesbank had not the exchange rata expectations of investors gradually changed in favour of the D-Mark. This trend was already evident last year when Germany's net long-tarm capital exports halved to DM 7.5bn, thanks to a big inflow of funds in the second half.

It is a truism to say that investors came to feel that the dollar's heady flight must be close to its peak. The real point is that Germany's economic, financial end political situation was seen to have improved, making for a buoyant D-Mark in the longer run, whetever the immediate attraction of higher dollar interest earnings.

Falling inflation

Gross National Product (GNP) grew last year in real terms by 1.3 per cent after two years of contraction, the current account of the balance of payments showed a surplus of just over DM 10bn, the inflation rate dropped to 3 per cent and the new centre-right government sharply cut federal borrowing.

This year GNP growth seems bound to be stronger (around 2.5 per cent in real terms), inflation probably lower and the current account still firmly in the black. Despite continuing high unemployment (an avarage 2.2m) and the damaging metalworkers strike, which has just ended after causing production losses worth billions of D-Marks, Germany's prospects on balance look better than those of most of its partners.

It would be absurd to argue that the Bundesbank alone is the cause of this improvement. But it was thanks to tough and timely ection by the central bank at the start of the decade that a crisis of confidence in the D-Mark could be headed off and the basis for renewed, non-inflationary growth laid. The current account went slightly into the red in 1979, then plunged into the biggest deficit in the western world (around DM 30bn) in 1980.

There were big outflows of capital and the D-Mark weakened. As it happened, the start of the fall of the German currency against the dollar virtually coincided with Herr Pöhl's first few weeks as President in 1980. The new man must have felt like an orchestral conductor booed by the audience as he picks up his baton for the overture.

In the event the Bundesbank took drastic action, notably shelving normal lombard facilities and forcing up interest rates, which impressed the jittery, curreny markets. A really steep downward spiral of the D-Mark (with its dire accompaniment of more imported inflation) was avoided, and the current account could be financed without resort to formal capital controls.

The extent of the central bank measures was unwelcome to the centre-left Government in Bonn, which was trying to win back more economic growth and cut unemployment. Herr Pöhl came under special pressure as a member of the Social Democratic Party (SPD), the senior partner in the Bonn coalition. But tha Bundesbank stuck to its guns—then was able to reintroduce lombard facilities and start cutting key interest rates again from 1982.

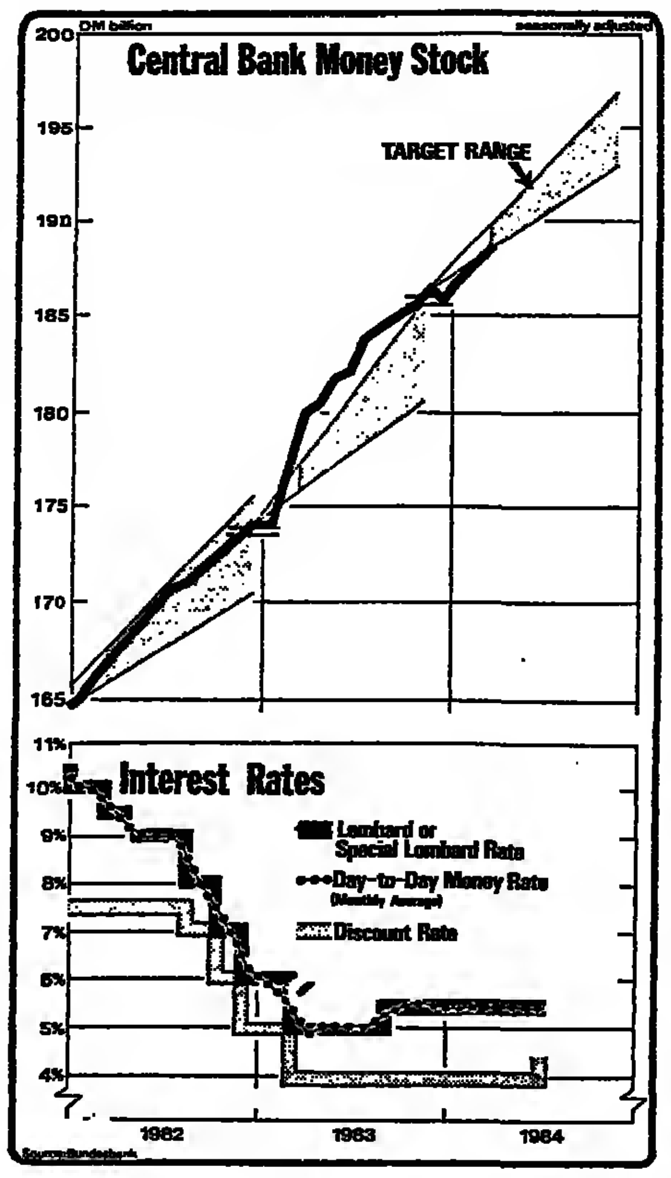
It can be argued that the Bundesbank could have relaxed its stance a bit sooner than it did—and that in March last year it then went too far for comfort, cutting its main domestic interest rates by a full percentage point. But if details were doubtful the broad strategy proved correct.

That does not mean the Bundesbank has no more worries on tha currency front—but the new concerns are the mirror imaga of success achieved. The latent fear now is that markat apprehension about the growing deficits in the U.S., and a possible resurgence of inflation there, could eventually bring a stampede out of the dollar and, in the first place, into tha D-Mark. This could not only mean an unwelcome swelling of domestic money supply, and the danger of more inflation by this routa, it would also spell new tensions for the European Monetary System (EMS).

New concerns

The D-Mark, the major currency in the System and simultaneously the main investment target for reluctant dollar holders, would be forced to its upper intervention limit in the EMS and eventually to revalue. The big problem for Germany then would be how to avoid revaluing, mainly for reasons of dollar weakness by more than its relative economic strength against its EMS partners justified.

In the long run there are only two ways out of this dilema. One would be for the German currency to become far less attractive, implying a medicine far worse than the disease. The other would be creation of a single European currency in a fully-fledged Economic and Monetary Union — a development which hardly seems just around the corner!



Given these big swings in capital flows to which West Germany is subject, it must seem remarkable that the Bundesbank is able to control domestic money supply much at all. Indeed the bank itself has sometimes been a bit surprised by its own success. When it first announced a target for the growth of central bank money stock a decade ago, there were those very senior at the Bundesbank who talked of "hocus pocus." Yet the bank has generally achieved its aim, not by slavish concern for monthly (let alone weekly) money supply figures, but by pragmatic adaptation of policy over the year.

The bank recognises that there is an empirical relationship between the increase in money supply and the growth of nominal GNP. It announces a target towards the end of each year not least so that labour and management will have one more key indicator in mind as they start their annual wages bargaining.

But the bank does not argue that its action is decisive for the outcome of the wages round, nor that its money supply policy can neutralise all domestic and external factors contributing to inflation. The monetary target is an aid—not a fetish. It is worth noting that the Bundesbank was able consistently to exercise such monetary control only after floating exchange rates finally replaced the Bretton Woods system in 1973.

In other words the Bundesbank's experience with floating has been positive on the whole.

Foot in door of market with big potential

Foreign Banks

JOHN DAVIES

MR JOHN SCHOENING, a down-to-earth German-American, is co-ordinating a new venture for Security Pacific Corporation, the ninth biggest U.S. financial services group. Fresh from a two-year stint in Hong Kong, he has begun building up a base for consumer lending and other credit operations in West Germany.

The U.S. group's main banking affiliate, Security Pacific National Bank, has already been running a branch in Frankfurt for 12 years, its business including credit and services for major international companies.

Security Pacific's new moves are modest for a group with total assets of $40bn, including consumer finance subsidiaries in the U.S., the U.K, Spain, Hong Kong and Japan. It has decided to buy two small finance houses whose names do not exactly have a familiar ring and whose headquarters are off the beaten track for international financiers.

But the finance houses, Bankhauss Bohl based in Freudenstadt, and Wifag Bank of Offenbach, have a total network of 14 branches scattered through Germany. For Security Pacific, the takeovers are a way of extending its consumer finance interests into yet another country. They are a foot in the door to credit markets, with big potential.

Security Pacific's moves are among the latest efforts by foreign banks to get some of tha rich financial action in West Germany. The Americans are the biggest group of foreign banks and, perhaps not surprisingly, some of the most persistent and successful. More than 30 U.S. financial instituions have branches or offices in West Germany.

The Japanese, too, are richly represented, while the British, in discreet fashion, have established branches in key commercial centres. Altogether, well over 200 foreign banks have branches or offices in West Germany, mostly in Frankfurt.

According to statistics published by the Bundesbank, branches of foreign banks had 2.24 per cent of total bank business volume last year. But this is not the full story by a long shot.

Activities submerged

Some foreign banks have fully owned local subsidaries or large stakes in other local banks—and their activities are submerged in Bundesbank statistics covering, for example, private banks or regional banks. Moreover, a great deal of foreign bank business is not reflected in balance sheet statistics or else has its main impact abroad. In some fields, such as electronic banking, the U.S. banks have been making the running, while domestic banks have been much more cautious.

Foreign banks have always faced difficulties in loosening the grip of domestic banks on much commercial banking business. But while some foreign banks have retreated disappointed and bruised, others have become well established in the West German banking scene.

In the area of consumer credit, Citibank of the U.S. has found itself with major involvement through its stake of 92 per cent in the old-established KKB Bank, based in Dusseldorf. Citibank gained a shareholding in KKB at tha same time as it took a stake in Trinkaus and Burkhardt, the private bank, ten years ago.

While Citibank sold its share in the privata bank to Midland Bank of tha UK in 1980, it has built up its holding in KKB Bank. With a network of 268 branches, tha consumer credit house had a balance sheet total of DM 6.2bn ($2.29m) at the end of last year. It had consumer deposits of nearly DM 5bn in 1.7m accounts and a lending volume of DM 4.9bn.

CONTINUED ON NEXT PAGE

Setback in the wake of debacle at DAL

Landesbanks
JOHN DAVIES

THE PUBLICLY owned Landesbanks in West Germany have been trying to strengthen their financial position during the last couple of years—with varying degrees of success.

Like other banking institutions, the Landesbanks have benefited from more favourable interest rate trends and their operating profits have generally shown a big improvement.

As a result, Norddeutsche Landesbank, based in Hanover, and the Frankfurt-based Hessische Landesbank reached a milestone in their recovery programmes by resuming dividend payments after a break of ten years or more. Both banks have been steadily resolving a legacy of problems from past banking engagements and mustering their financial strength.

On the other hand, Westdeutsche Landesbank (WestLB), based in Düsseldorf, felt obliged to put all of last year's operating profits into risk provisions and reserves, following the sudden emergence of problems at home and abroad. Hopes for resumption of a dividend payment were dashed.

One of the main reasons for WestLB's setback was the financial debacle at Deutsche Anlagen-Leasing (DAL), which is 90 per cent owned by four Landesbanks. With provisions for risks and write-offs at DAL continuing to grow, the ailing leasing company is proving a major embarrassment for its owners. Its plight has also aroused some anxiety among state politicians, and has touched off the resignation of Dr Erwin Sinnwell as head of the Landesbank Rheinland-Pfalz.

West Germany's Landesbanks, which are a major force in the country's financial system, have been no stranger to controversy or misfortune over the years. There have been some notable exceptions in their ranks, however, such as the Munich-based Bayerische Landesbank, which has turned in a consistently robust performance.

The 11 regional Landesbanks are basically linked to the savings banks (Sparkassen), which are owned by local communities and towns. Along with the savings banks, the Landesbanks' shareholders generally also include the state governments. In some cases, such as WestLB, other community associations in the region are also shareholders.

At the pinnacle of the Landesbanks is a twelfth organisation, the Deutsche Girozentrale-Deutsche Kommunalbank, owned jointly by the Landesbanks and savings banks.

These 12 organisations have maintained a share of 16-17 per cent of the banking system's business volume and of total lending to non-bank customers during the past 10 years. The Landesbanks and the savings banks (which have an even larger share of bank business) add up to a strong influence in the banking world.

A basic function of the Landesbanks is to act as a clearing house for some savings bank transactions. Beyond that, the scope for Landesbank business is wide and there have been differing views about the true role of a Landesbank.

A broad-ranging and highly ambitious concept was pursued by Herr Ludwig Poullain, who brought WestLB into being in 1969 through a merger of two publicly-owned banks. Under his guidance, WestLB became a thrusting universal bank, active nationally and internationally.

With group assets of DM 139.4bn at the end of last year, WestLB has become firmly established as the largest Landesbank and the third largest credit institution behind the commercial banking giants of Deutsche Bank and Dresdner Bank.

...n with a flamboyant and outspoken manner, Herr Poullain brought WestLB increasingly into the international arena, with Eurodollar operations and other commercial lending abroad. But scepticism about his expansionist views undermined his

position before his abrupt departure from the bank in late 1977.

To some extent, Landesbanks have been drawn into international involvement in order to support the foreign activities of West German industrial companies. Most Landesbanks have long been active abroad, especially in Luxembourg.

However, the degree of international involvement has been a matter of rumbling controversy. Critics, including politicians and savings banks, have been apt to question how their region is to benefit from certain foreign lending by Landesbanks.

With the international scene in any case requiring caution these days, more conservative views about the desirable nature and extent of Landesbanks' foreign business have tended to gain ground in some quarters. Nevertheless, Landesbanks remain heavily involved in international activities.

On the domestic scene, Landesbank activities have raised many questions. In what fields should they lend? To what extent should they concentrate on their own regions? Should they step in to aid troubled but important customers? Are political influences too great in the banks and are the banks apt to be a drain on state government finances?

With access to considerable financial resources, Landesbanks have generally embarked on a universal bank approach, with wide-ranging activities, concentrated in but not necessarily confined to their own regions.

Property financing has played a major part in Landesbank activities, but has also led to considerable problems. Hessische Landesbank, for instance, required an injection of state aid after running into serious real estate difficulties in the early and mid-1970s.

A recovery programme pursued under Dr Heinz Sippel, the current chief executive, culminated in the resumption of dividend payments last year. The 5 per cent payout was the first dividend since a 6 per cent payment on the bank's 1972 results.

In view of their public status, Landesbanks have at times felt obliged to demonstrate social responsibility by bolstering regional companies faced with difficulties.

Norddeutsche Landesbank, for example, became ever more deeply involved in efforts to salvage the Rollei camera company in the 1970s before finally ridding itself of its entanglement. It required heavy state aid, which it has since paid back ahead of schedule.

Under Dr Bernd Thiemann, who became head of the bank in 1981 at the age of 38, Norddeutsche Landesbank has consolidated its recovery and paid a 4 per cent dividend on last year's results after a 10-year gap in payments.

Norddeutsche Landesbank has established itself as the third largest in its sector—after WestLB and Bayerische Landesbank. Its group assets rose substantially last year to DM 83.65bn as a result of a merger operation in Bremen which gave it a majority stake in a new credit institute.

With more traditional views about the role of Landesbank coming to the fore, there has been considerable emphasis in recent times on co-operation with the savings banks. Relations between these two groups have sometimes been strained in the past.

The savings banks see the Landesbanks as their creation. But the Landesbanks have come *to overshadow them* by their sheer bulk and wider scope. Some savings banks have been up in arms at times, claiming that Landesbanks from other regions have taken business away from them.

Savings banks have endeavoured to keep some influence over the Landesbanks through representatives on the supervisory boards and committees which oversee their affairs. The attitude of the savings banks can also be vital in the appointment of top executives at the Landesbanks.

Herr Friedel Neuber, WestLB's present chief executive—and a former Social Democratic member of the state parliament — represented a regional savings bank association on WestLB's supervisory board before getting the top management job. Dr Thiemann became chief executive of Norddeutsche

Landesbank after rising through the savings bank structure and gaining the confidence of savings bank representatives.

Both Landesbanks and savings banks face e challenge in future because of the need to obtain more capital as a basa for expansion of lending. Because local communities and state governments are apt to be hard up for funds, the possibility of raising new capital from them is limited.

Nevertheless, Landesbanks which have had a legacy of problems from the past have been trying to put their houses into order and resume dividend payments as a prerequisite for any moves to obtain more capital.

On announcing Norddeutsche Landesbank's dividend payment, Dr Thiemann said that the bank bad secured agreement in principle that the shareholders would provide capital for expansion.

However, there has also been discussion about the possibility of part-privatisation as a way of raising capital for Landesbanks. Although the procedure for arranging this would be complicated, the idea has gained some support in political circles.

In West Berlin, the city authorities have already embarked on the part-privatisation of the Berliner Bank, until now a 100 per cent publicly-owned commercial bank. The city decided to raise capital for the Berliner Bank by offering shares to private investors, *reducing the publicly-owned share stake in the bank* to 74 per cent.

Politicians within the Christian Democratic Union (CDU) have been weighing up the question of part-privatising the Landesbank Rheinland-Pfalz, blased in Mainz. Dr Erwin Sinnwell, the chief executive of the bank, remarked earlier this year that the idea was not taboo and was worth discussing.

Dr Heinz Sippel

Profile: Dr. Heinz Sippel, chief executive of Hessische Landesbank

Rigorous workload brings its reward

IN THE OLD days, Dr Heinz Sippel regularly took home a sheaf of papers to plough through at night after putting in as much as 12 bours a day at the Hessische Landesbank (Helaba) in Frankfurt.

These days, he reads documents in *the car* as *his chauffeur* drives him home, but tries—not always successfully—to keep his evenings and weekends free.

After nearly ten years as chief executive of Helaba, Dr Sippel can afford to ease up a little. Brought in to put the ailing Landesbank on its feet, he has presided quietly over a process of fairly steady recovery and disentanglement from problem areas. He expresses confidence about the future of the bank, one of West Germany's largest credit institutions, with group assets of DM 65.7bn.

Dr Sippel, now 61, received a telephone call from Dr Helmut Geiger, head of West Germany's savings banks, in the autumn of 1974, asking him to switch from his job on the management board of Westdeutsche Landesbank to take over Helaba.

The Frankfurt-based bank had been the centre of *rumour* and controversy after running into heavy losses, mainly because of rapid expansion into real estate projects. It needed substantial aid in the form of cash and guarantees from the Hesse state government and from savings banks throughout the country.

Dr Sippel concedes now that, when he accepted the challenge, he didn't foresee all the complex problems ahead. With a cool approach, he pushed through personnel and organisational changes, insisting on freedom from political influence, and embarked on a modest "slow but sure" policy of giving priority to improved performance rather than growth.

He took a tough line over claims made against the bank as a result of its involvement in Banque de Credit International of Switzerland. While the *original claims* were for SwFr 400m, Helaba eventually paid SwFr 30m—after negotiations which, he recalls, required strong nerves.

Dr Sippel also encouraged a more international outlook at Heleba—although the foreign share of its leoding, at under 10 per cent, is today less than the average for Landesbanks. One of the first steps he took was to put an English tutor on the payroll to give language lessons to the staff.

Dr Sippel himself began studying English in his bome town of Leverkusen, where his father, a technician at the Bayer chemical company, arranged for him to go to private lessons in addition to *his schooling.*

He also learnt the language—and claims to have gained insight into the English art of understatement—during two years as a prisoner of war in England.

At Helaba, he has succeeded, through a low-profile approach, in defusing the controversy which dogged the bank for years. The bank, which returned to profitability in 1977, has been steadily re-building its reserves and bas begun repaying DM 200m by instalments to its rescuers.

The only major problem he sees now is Helaba's involvement—along with three other Landesbanks and Dresdner *Bank*—in Deutsche Anlagen-Leasing (DAL). But he says the bank is well able to absorb its share of the burden from DAL's write-offs and risk provisions. After resuming a dividend payment last year, "our aim is to pay a dividend again," he adds.

A man determined to be physically fit, Dr Sippel plunges into a rigorous workout at the crack of dawn each day—riding 6 km on a "home trainer" in his cellar and then swimming for ten minutes in his home pool.

Uowilling to let papers pile up on his desk, he still can't resist the temptation to take work home at times. But these days he finds time to read literature, listen to classical music and watch the occasional Krimi (detective story) on TV.

John Davies

A market of big potential

CONTINUED FROM PREVIOUS PAGE

In his office on the fringes of Offenbach, Mr Schoening says that Security Pacific will explore possible new consumer finance acquisitions if the right opportunities arise. But at the moment, his problems are to *consolidate* what has already been started and to work out detailed market strategy.

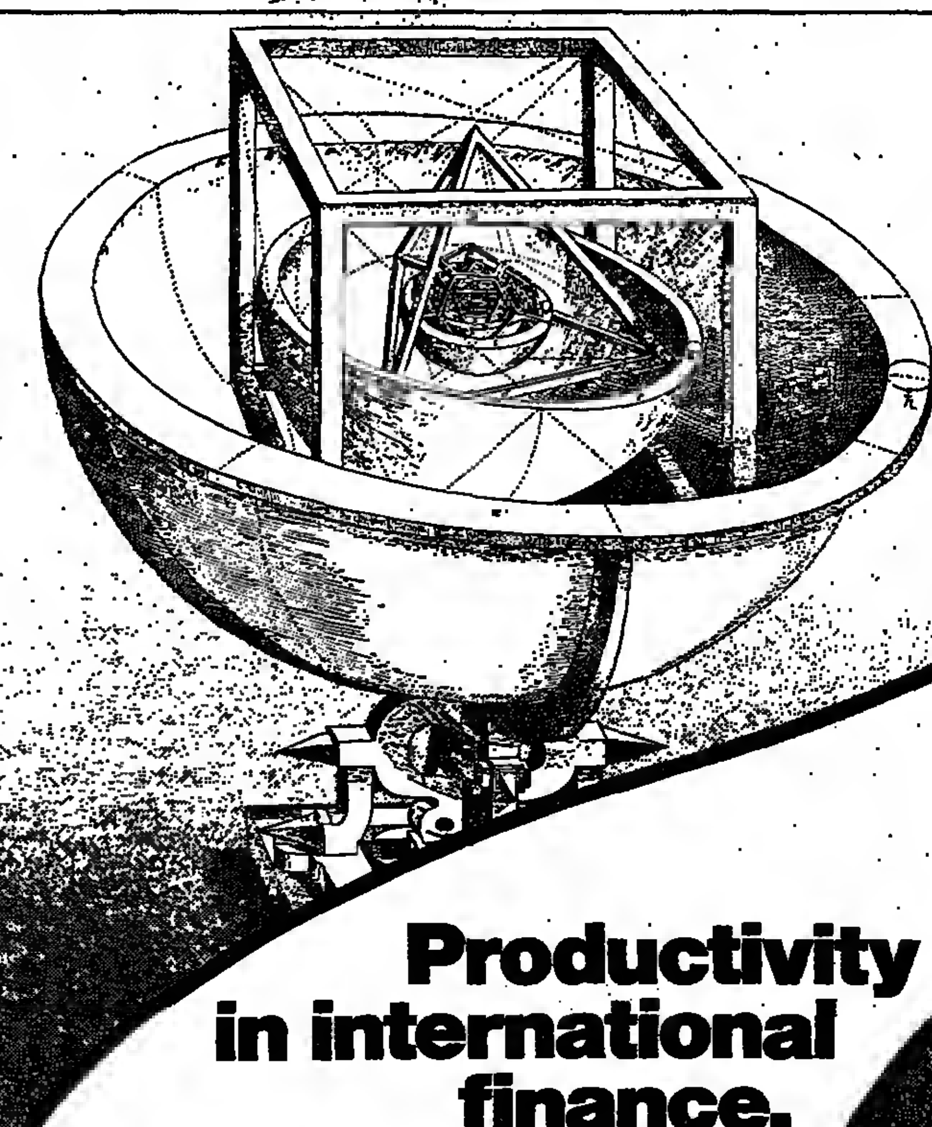
He sees the operation offering a range of services such as personal loans, etandby credit facilities, real estate mortgage lending, giro accounts, some commercial lending and "small ticket" leasing (such as computer equipment).

Mr Schoening, who left Germany in 1952 at the age of 14 and worked his way up in the U.S. consumer credit business, says that administrative work of Bankhaus Bohl and Wifag Bank may be merged—bot that doesn't imply that finance houses acquired now or in the future should lose their own identity.

Another financial concept falls from Mr Schoening's lips—venture capital. At present, he claims, it is virtually non-existent in Germany ("No-one touches it; they're afraid"), but he would like to explore the idea.

Venture capital as a means of helping entrepreneurs start up in new fields is a controversial theme in the German financial world. Domestic hanks have begun to get more involved, Deutsche Bank, for instance, teaming up with Siemens and Nixdorf, among others.

But here, too, foreign financiers bave been eeeking a markat niche. Citibank set up its own venture capital subsidiary *in West Germany* earlier this year. Perceiving a gap in the market, the U.S. bank is ready to pump up to DM 140m into local venture capital deals over the next few years.



Moving towards graduation from Kindergarten

Stock market

JONATHAN CARR

FOR many years mention of the West German stock market tended to draw ironic jokes or loud yawns. Investment chances were limited, profits generally small and the big banks dominated the show—such as it was. For a country with the biggest Gross National Product (GNP) in Europe, West Germany's share circulation looked pathetically small.

Even in 1983, dubbed by domestic enthusiasts " the year of the share," the German stock market remained relatively underdeveloped. Share prices did rise on average by more than one-third, and 11 new enterprises came to the bourse for the first time. But then 1983 was a bullish year almost everywhere, with more than 800 new share issues in the U.S. and around 150 in Britain.

Moreover, economic growth was picking up quite strongly in Germany after two recessionary years, and a new centre-right government—more favourable than its centre-left predecessor to the needs of private enterprise—had come to power.

Basic changes

It would therefore have been astonishing if the stock market had not perked up under these circumstances.

Nevertheless, a basic change does seem to be taking place in Germany's attitude to the stock market, though this is not yet fully reflected in the statistics. Businesses are recognising more clearly the advantages of "going public," the Government has taken some steps towards cutting taxes which work against share issues, and a modest reform of the stock market structure is in the offing.

This is a gradual process—not a revolution. But it implies that, even when economic growth falters again, the stock market will not contract to its previously unimportant level and role.

Arguably, the biggest catalyst for change came not from within Germany itself but from foreigners — well before "the year of the share." Oil producers looking for ways to invest their surplus funds after the second major round of prices increases in 1979-80, spotted evidently undervalued German shares. One senior Frankfurt banker even pins down the start of this development to a particular day — January 2, 1981, when the phone started ringing repeatedly on behalf of Arab buyers looking for share "bargains."

At any rate this outside injection of funds was one key reason why the stock market hardly lost ground in 1981, despite unfavourable economic conditions.

The second oil price hike had a strong influence in another way too. It underlined to German companies, and to their advisers in the banks, the perils of working with a dwindling capital base. In the early 1960s, capital and reserves made up, on average, about 30 per cent of the balance sheet total of German enterprises. At the start of the 1970s, the ratio had dropped to around 26 per cent and by the early 1980s it was only about 20 per cent.

The ease of borrowing from the banks goes some way to explain why many companies did not bother to go to the stock market before—but it does not explain everything. After all over the past 15 years German enterprises have covered on average only 5 per cent of their external financing needs through share issues; the number of joint stock companies (AG's) has dropped from around 2,300 to some 2,100 (of which less than 450 have an official stock exchange listing); and the number of private limited companies (GmbH's) has risen from fewer than 70,000 to nearly 300,000.

The organisational form of the AG has nnt been popular with entrepreneurs, despite the benefit it offers of access to equity capital. It is not hard to see why. For one thing the AG's are subject to the two-tier board system under West Germany's Mitbestimmung (co-determination) laws.

This means that the companies have a supervisory board, made up of employee as well as shareholder representatives, which keeps tabs on the managing board. For another thing the AG's have to make their results public. The GmbH's are able to be more secretive about their business and they fall under Mitbestimmung rules only if they have more than 500 workers.

Against this background the old wisecrack that Germans do not put money into shares "because they don't like an investment which goes up and down" looks pretty unjust. It is true that Germans for reasons of history and even geography (placed as they are on the borders of the communist empire) are unusually security conscious.

However, that does not mean they are unwilling to take risks if they see a fair chance of making profits. Until recently their stock market neither offered them much choice nor the prospect of making much money. Until the corporation tax reform of 1977, dividend payments were in effect taxed twice over. Even after that, tax measures (like stamp duty on equity issues) acted as a powerful dissuader to potential shareholders, and the government is only now coming to grips with these obstacles.

It is therefore surprising that over the years Germans even bought as many shares as they did. About one-sixth of German share capital is held by private individuals—less than the proportion held by enterprises but more than that held by banks. That Germans do not have a basic, temperamental aversion to share investment is shown by the over-subscription of many of the (admittedly fairly small) new issues last year. This year too the shares of two key bourse newcomers, Nixdorf the computer company and Porsche the fast car specialist, have been pounced on with almost frightening fervour.

Chalk and cheese

Astonishingly, so far only two institutions have consistently been bringing newcomers to tha bourse—and they are as different as chalk and cheese. One is tha giant Deutsche Bank (group balance sheet total DM 210bn) and the other is a Munich-based outfit called Portfolio Management (PM), run by five partners and with a total staff of 23.

Deutsche Bank has tended to handle the bigger companies in fairly traditional fields (like the hair cosmetic enterprise Wella, last year's largest stock market newcomer), while PM has concentrated on smaller concerns in new fields like data processing.

It is true that PM came in for a lot of criticism because the share price of its biggest issue, a construction development company, dropped sharply.

Also PM's issues so far have been made through the two "lower tiers" of the stock market—the *geregelte Freioerkehr*, the over-the-counter market, and the *Telefonverkehr*, the unregulated free market. In other words none of the issues bas had an official stock market listing, the "top tier" with the bighest entry hurdles.

That said, PM has shown exceptional enterprise in exploiting a gap in the market and its activities have surely been one factor prompting many banks to think again about their own attitude to the bourse. At any rate, whether out of recognition that PM is "onto a good thing," or out of fears that shaky secondary markets might musbroom beyond the official bourse, an intense debate bas been nnderway about stock exchanga reform.

The aim is to encourage more enterprises to come to the stock market, bolster investor confidence and remove some legal quirks which have caused problems. While no details bave formally been made known, the broad outline of the reform (perhaps it would be better to speak of a "mini-reform") is pretty clear.

The hurdles involved in an official bourse listing (inclnding publication of a detailed prospectus and payment of hefty entry fees) will not be reduced. Indeed they may turn out to be bigher still when tough new European Community directives, already approved by the member states, are finally put into force. In other words the " top tier " of the stock market will tend to stay the preserve of the larger wealthier enterprises.

The main changes will involve the *geregelte Freiverkehr* which, despite its long existence and the fact that it carries out its business at the Bourse, still has a rather shaky legal basis. Under the Stock Exchange Act of 1896, the use of bourse facilities is forbidden for trading in all bnt officially listed stocks.

Problem eliminated

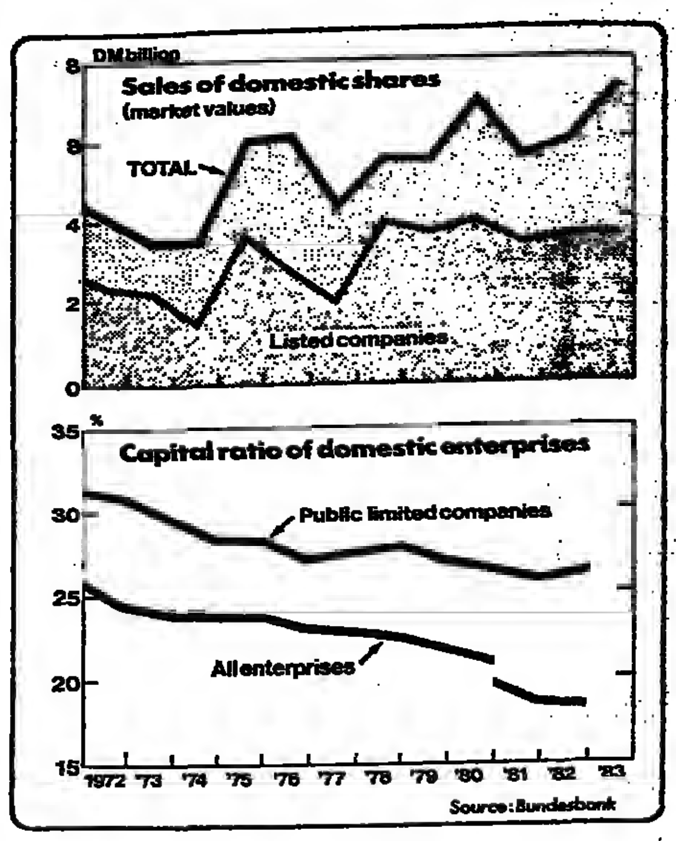
One implication is that if the official committees running the stock exchange make errors resulting in claims against them, the individual members are freed from personal responsibility. The members of the bodies overseeing the *geregelte Freiverkehr* have no such protection under law.

Under the "mini reform," this legal problem would be eliminated (presumably through a small change in the Stock Exchange Act) and procedures on the "second tier" would be monitored at least indirectly by the official bourse supervisory authorities. Moreover, in contrast to the existing set-up, companies coming to this segment of the market would be required to publish a report about their business—albeit one less detailed than that demanded of enterprises seeking an official listing.

It is going to be a bard balance to achieve—a market which gains much of the safety and status of the "top tier" without losing the flexibility which bas been one of the attractions of the *geregelte Freiverkehr* to date.

Moreover, those responsible for the changes will have to find some way of ensuring that large, well-heeled enterprises which could well make it to the top shelf, do not start heading automatically for the "second tier" as a soft option.

If the "mini-reform" is got right, and it could be in operation within about a year, then the German etock market will have taken one more step away from the kindergarten.



CIRCULATION OF DOMESTIC SHARES IN SELECTED COUNTRIES*

	1975		1980		1982		Compare GNP in 1982†	
	DM bn	%	DM bn	%	DM bn	%	DM bn	%
Germany ...	76	2.8	91	2.3	98	2.0	1,599	10.7
U.S.‡	2,131	79.5	3,080	78.3	4,095	81.5	7,463	49.8
Japan	128	4.8	188	4.8	231	4.6	2,566	17.3
UK	240	9.0	422	10.7	428§	8.5	1,167	7.8
France ...	41	1.5	35	0.9	26	0.5	1,314	8.8
Italy	64	2.4	117	3.0	145	2.9	844	5.6
Total	2,680	100.0	3,933	100.0	5,023	100.0	14,973	100.0

* Par value: level at year's end. Sums in foreign currency converted to D-Mark at the official spot rates at the end of each year. † Sums in foreign currency converted to D-Mark at the average annual official spot rates. ‡ Shares of domestic and foreign issuers. § End 1981.
Source: Bundesbank.

Slowing on a rougher road

Leasing

JOHN DAVIES

LEASING HAS been steadily growing in significance as a way of financing investment in West Germany, but the road ahead has been rougher in recent times.

The most spectacular case of problems in the leasing field is that of *Deutsche Anlagen-Leasing* (DAL), whose ever-growing risk provisions and write-offs have been giving splitting headaches to its hapless owners, mostly the publicly owned Landesbanks.

DAL is regarded as an exceptional case, with special tortuous problems of its own. But its troubles also reflect some of the difficulties which the leasing field has encountered in the past couple of years.

After a long period of rapid expansion, leasing has been going through a time of consolidation, with more emphasis on profitability and more concern about risks. There has been a growing realisation of the pitfalls involved in failing to build up provisions against possible losses.

However, in a highly competitive environment, with tight margins on business, it has been difficult to build reserves. Moreover, optimism has in some cases prevailed over caution, in view of the favourable conditions of the past. West Germany has well over 600 businesses involved in leasing, but fewer than 100 have much capitalisation or more than a tiny share of the market.

The total volume of new business financed by leasing in West Germany last year is estimated at DM 17.8bn ($6.63bn). The annual amount has more than doubled since 1977, when it was DM 7.69bn.

New business has been growing at double-digit rates each year until restrained by the latest recession. After a 23.4 per cent growth in 1981, leasing slowed abruptly to a 4.8 per cent increase in 1982 and experienced an even more modest expansion of 4.6 per cent last year.

Despite the slowdown, however, leasing growth has continued to be ahead of the economy's overall investment performance, which tapered off during the recession. As a result, the share of total investment—apart from housing—financed through leasing has continued to edge up. The *share has grown from 3 per cent* in 1973 to 7.3 per cent last year.

Of the DM 17.8bn of business financed by leasing last year, "institutional" leasing concerns accounted for DM 11.58bn, while leasing "operations" connected with manufacturers—either offshoots of the makers themselves of their dealers—handled DM 6.22bn.

These two broad sectors of the leasing branch have experienced different fortunes. For the first time since leasing took off about 20 years ago, institutional concerns suffered a setback last year. Their DM 11.58bn total of new business was actually 3.3 per cent less than the previous year's amount.

By contrast, the DM 6.22bn total chalked up by concerns connected with manufacturers represented a hefty 25 per cent increase on their 1982 business.

The institutional concerns were affected by a 16 per cent decline in leasing of real estate property. This more than offset a 5 per cent rise in the volume of other goods leased.

Over the years, the range of goods financed by leasing has continually widened. But office equipment, including data processing devices, has been the largest sector, accounting for 30 per cent of new leasing in 1982.

Leasing of factories and warehouses was the second largest segment in 1982, with 17 per cent of the market, while leasing of shops and office buildings accounted for a further 14 per cent. The motor vehicle market was still relatively restrained in 1982, making up 16 per cent of leasing *investment*.

Among clients, manufacturing and trading enterprises provided well over half of the business of leasing concerns. Manufacturers were the source of 38.4 per cent of business in 1982 and traders 18.5 per cent. Much of the expansion of some retail traders has been financed through leasing in recent years.

About 1.1m leasing contracts were in force in West Germany at the end of 1982, according to the Munich-based IFO economic research institute. At that time, the institute estimated, about DM 61bn of real estate property and equipment was covered by leasing contracts, the lion's share falling to the institutional leasing concerns.

Although total investment in the West German economy began to pick up last year, leasing faced a number of restraining factors.

For a start, economic revival has improved the profits and cash flow of many businesses, reducing the inclination to finance investment through leasing. More significantly, leasing operations have shown far more concern about the risks attached to their business.

Leasing companies have been faced with the sobering situation of a poor market for *second-hand property and equipment*, in view of recession and rapid obsolescence.

Brighter trend

Prospects, however, appeared to be improving as economic growth gathered pace earlier this year, while the wave of insolvencies in the country evidently continues to recede. But competition among leasing concerns has remained intense with pressure on finance margins and profits.

Casting a shadow over the leasing branch is the ever-deepening misery of DAL, whose provisions for risks and write-offs on domestic and foreign business have steadily grown — having repercussions among its bank owners and beyond them, in political circles.

DAL's problems came to a head last September when its bank owners disclosed that they would have to cover write-offs *and risk provisions estimated* at DM 120m, a figure later recognised as far too small. The chief executive and two other members of the managemeot board parted company with DAL and the reins of business were taken over by Professor Hans Wielens, formerly a senior manager at Westdeutsche Landesbank (WestLB).

WestLB is the main shareholdar in the troubled leasing concern, with a 30 per cent stake, along with Landesbank Rheinland-Pfalz (26.6 per cent), Bayerischa Landesbank (16.7 per cent), Hessische Landesbank (16.7 per cent) and Dresdner Bank (10 per cent).

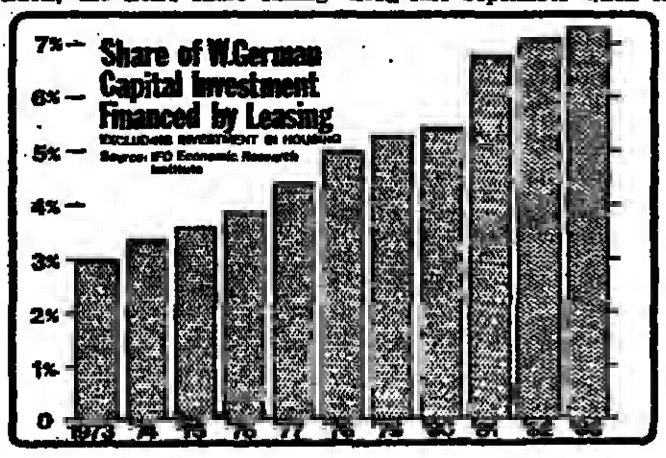
According to an agreed formula, the banks shared guarantees *of a total of DM 224m to* cover DAL's provisions of DM 256m *for* risks and write-offs on 1982 business. Now they face a very much larger burden for 1983. Risks and write-offs for last year were estimated some months ago at between DM 400m and DM 670m, but persistent rumours of much higher sums have turned out to have soma substance.

Problems at DAL *were* a major reason why WestLB decided to put aside all of its considerable operating profits into its own reserves and risk provisions last year, abandoning hopes of paying a dividend to its shareholders—the state government, savings banks and local communities in North Rhine-Westphalia.

In a high-level shake-up at WestLB, two members left the management board, including an executive involved in supervising affairs at DAL.

Professor Wielens, exploring a labyrinth of problems, has attributed much of DAL's plight to expansion into high-risk areas, including foreign business. Under a drastically reoriented strategy, DAL recently proclaimed a goal of returning to profitability in 1986, with a slimmed down staff and a different approach to risk liability.

But it may be some time before all the repercussions of DAL's troubles have *fully* worked themselves out.



Keep your guard up and come out fighting

Retail Banks

JOHN DAVIES

IN MANY towns and villages of West Germany, savings banks and co-operative banks are old-established and familiar parts of the landscape, often eyeing each other warily across the road. At the local level, rivalry may be friendly and healthy, but at the national level, these two vigorous groups of banks are at daggers drawn.

Their long-simmering animosity has been brought to a head by plans to overhaul the federal banking law. In some respects the proposed new law commands wide agreement, but on other points there is a criss-cross of antagonism among the various types of banks in West Germany.

The 592 savings banks, with a *total of more than* 17,500 branches, are unhappy because they feel their special requirements have been overlooked by the law makers. They have been pressing for the right to regard guarantees as being as good as actual capital as a base for lending. They argue that a similar right has been enjoyed for years by the 3,760 co-operative banks, with their 16,000 branches.

The savings banks attach considerable importance to their demand because they see little prospect of raising new capital for expansion from their financial backers — the local community and town authorities, which tend to be hard up for funds these days. But local guarantees would be as good as capital, they argue.

Although some state politicians have come down in favour of the savings banks, the political powers in Bonn have chosen to withstand the savings banks' demands, which are also opposed by the big commercial banks.

Determined to press on with their fight, the savings banks have made it clear they will appeal to West Germany's Constitutional Court if the draft law now before federal parliament comes into force in its present form. They will ask the court to strike down the law on the ground that it discriminates against savings banks in relation to co-operative banks.

In the hope of avoiding a messy legal wrangle, the seeds of a possible compromise are being sown — although at this stage the idea still contains many uncertainties.

The idea, taken up by Dr Gerhard Stoltenberg, the Finance Minister, is that bank capital could include "Genussscheine," financial paper entitling investors to variable earnings releted to profits and generally without voting rights.

The savings banks have indicated they might be prepared to accept this as a basis for agreement, provided certain conditions are met. They see the need for restrictions on the type of investors able to buy Genussscheine, in order to hinder purchases by large banks or foreign interests. Moreover, they do not want the co-operative banks to retain their present benefit plus the right to include Genussscheine as capital.

Dr Stoltenberg has hinted that the full extent of the benefit at present enjoyed by co-operative banks could be reviewed. He has suggested that the concession, dating back 50 years, could be examined to see whether it was appropriate in today's changed competitive circumstances.

In controversy over the banking law, the co-operative banks' supporters include members of the Free Democratic Party (FDP), a junior party in the Bonn coalition government. The FDP sees its role as, partly, to protect the interests of small businesses and self-employed people — the type of individuals who may be members of co-operative banks.

The savings banks, however, claim that the FDP is misguided *politically. They point out that* the nature of co-operative bank members has changed over the years, with an increasing proportion of housewives and workers, who would not necessarily be FDP supporters.

For their part, the co-operative banks argue strongly for retention of their right to include in their capital base a sum for guarantees provided by members.

Justified action

The co-operative banks deny that the liability of members is a fiction. They concede that members have not been called on to support the few co-operative banks that have fallen into difficulties since the war. Instead, a safety net created by the whole movement has been rushed into place. But the co-operative banks see this as justified action to protect the interests of members, despite their potential liability.

What's more, the co-operative banks display a relaxed attitude to the threat of facing a Constitutional Court challenge. They claim that abolition of their special right, not its retention, would be against the constitution.

How the controversy develops will depend to a large extent on negotiations in the months ahead as the proposed new banking law is examined by members of parliament and banking representatives. The savings banks point out, however, that even if a solution is found on the basis of Genussscheine, this would have to be laid down not only in federal law, but also in the state laws affecting savings banks — and it is not certain that all states would comply.

Whatever the outcome, the savings banks — along with other banking sectors — will continue to keep a close eye on the co-operative banks. These banks have proved to be sturdy competitors, with a steadily expanding share of West German banking business.

In 1960 the co-operative banks had a mere 5.61 per cent of total bank business volume, but increased their share to 7.71 per cent in 1970 and 10.92 per cent in 1980. They have continued to gain ground in recent years, their share rising to 11.17 per cent in 1981, 11.37 per cent in 1982 and 11.55 per cent last year.

By contrast, the savings banks — a much larger sector *of the banking community* — have clung to a fairly constant 22 per cent of bank business volume over the last 20 years.

Commercial banks are among those which have actually lost ground over the years. The Federal Bankers' Association has pointed out that the large commercial banks, regional banks, private banks and foreign banks have seen their total share of business volume decline from 24.57 per cent in 1960 to 23.58 per cent in 1980 and 21.79 per cent last year.

The monarchs of Munich

Insurance
JONATHAN CARR

THE TWO monarchs of the West German insurance world have their palaces, appropriately enough, in Munich'a fashionable Königinstrasse. "Palace" is certainly not too strong a word for the beadquarters of Münchener Rückversicherung (Munich Re), wlth its elegant halls and art treasures. And what the main building of Allianz Versicherung, close by, lacks in ornamentation it makes up for in size.

The two companies have moch more in common than their address. They bave close historical links and each holds a 25 per cent stake in the other. Both have big financial muscle, interlocking holdings in business and industrial enterprises and, incidentally, stability of topmost management.

Munich Re, the world'a biggest reinsurance concern, came first. It was founded in 1880 by an agile insurance agent called Carl Thieme who not ooly saw the need for an independent reinsurance company but did mucb to expand the market itself once Municb Re was in place. His simple theory; the more classes of insurance there were the more reinsurance business there would be.

Hence Munich Re's efforts to propagate accident insurance whicb led to the foundation (in 1890) of Allianz, and its interest in credit insurance whicb belped bring Hermes Kreditversicherung into being. Nowadays the federal government nses Hermes (Munich Re stake, 50.5 per cent, Alllanz stake 25.2 per cent) as its agent for export credit insurance.

Not much joy

The reinsurance business itself does not bring mncb joy these days to Municb Re (or indeed to its foreign rivals). Premium income rose in the 1982-83 year by 5 per cent to DM 9.6bn, but *losses increased* from DM 248m to DM 370m. The reason? Fierce competition continned to prevent e rise in premiums sufficient to cover growing risks.

On the other hand profit from the non-reinsurance side, mainly investment income, rose sharply to DM 435m from DM 332m so that overall Municb Re stayed, as usual, nicely in the black. And wbat investments—with a book value alone of more than DM 10bn! Not surprisingly Munich Re has stakes in Allianz subsisidiaries including 46 por cent of Allianz Lebensversicherung, easily the country's biggest life insurance concern. But it also bas (often with Allianz) big indirect holdings in industrial companies like Gutehoffnungshütte, Degussa and Hochtief.

Ruler of this emplre, that is bead of the managing board, is Herr Horst Jannott, a balance sbeet wizard who joined Munich Re in 1954 and has had the top job since 1969. Just as Munich Re has flourisbed under Herr Jannott so Allianz has grown under Dr Wolfgang Schieren, who bas been with the company since 1956, and became chief *executive in 1971*.

In the last eight years alone premium income has more than doubled to DM 15.4bn making Allianz not only Germany's biggest insurer but one of the world's top ten. Last year's pretax profit totalled DM 561m, of which DM 182m came from insurance and DM 379m from Allianz's DM 11.1bn worth of investments. It can fairly be assumed that Dr Schieren sbuffles at least one quarter of Allianz's reinsurance business in Herr Jannott's direction.

The German press bas more than once compared Dr Schieren to "Superman." A more apt comparison might be to Alexander the Great, who ran out of (easily accessible) worlds to conquer.

With its top position in both the domestic life and non-life business, Allianz cannot expand much at bome without running afoui of the cartel authorities. Hence its growing drive abroad which bas pushed the foreign share of premium income in the last six years from about 6 per cent to more than 17 por cent.

There are two big boles in its foreign coverage *which Allianz* is trying hard to plug, the British market and the non-life sector in the U.S. Allianz failed in its bid last year to take over Britain's Eagle Star, but wbat a failure! Alianz netted e clear DM 550m profit from the affair which allowed it, as it were, to cry all the way to the bank. In the U.S. Allianz this year considered taking over the insurance interests of the Armco *group but finally decided* against this. It will surely not be long before the right opportunity turns up for an acquisitive concern with so mucb cash to spare.

Balance sheet wizard, Herr Horst Jannott, bead of Münchener Rückversicherung

The spirit of an elite if dwindling band

Small Banks
JOHN DAVIES

"WE INTEND to maintain the style of a private bank," says Mr Paul Brown, a large and ebullient figure puffing away at a pipe. Mr Brown, sent in by Lloyds Bank of the UK, has stepped confidently into the senior role at Schröder, Münchmeyer, Hengst (SMH) in West Germany.

Not a man to be easily overawed, he has taken over the office formerly occupied by Count Ferdinand von Galen, the chief partner in the old SMH. *After long enjoying a prestigious reputation world-wide, the* old SMH suddenly became the country's number one banking problem last November.

Under Count von Galen and his fellow partners, SMH got ever more deeply involved in the tangled financial affairs of the ill-fated IBH construction equipment group, founded and headed by Herr Horst-Dieter Esch.

To enable the bank to keep its doors open, the West German banking system pumped in substantial aid after a late night session of talks called by banking supervisory authorities.

Longing eye

Lloyds Bank, which for some time had been casting a longing eye over various banking institutions, succeeded in buying the "healthy" parts of SMH to acquire a stronger foothold in West Germany.

It is endeavouring now to carry on operations in the spirit of the country's elite, although dwindling, band of small private banks, many with a long history.

Lloyds formed a new company, capitalised at DM 100m ($37m), to take on the name and staff of SMH and to run the old bank's investment banking business and some of its commercial business. But it refused to take over anything to do with IBH, as well as some other commercial activities, including high-risk fur trade business. The problem areas remained — with the old bank renamed *Hema — for the German banking system as a whole to unravel.*

Before the crisis, the old SMH had a *balance sheet total* of DM 2.2bn. The new operation, under Lloyds' aegis, began on January 28 with a balance sheet total of DM 891m, including DM 429m of customer deposits.

A rising trend

Mr Brown says that the outflow of clients' business stopped as soon as Lloyds took over. "The balance sheet total is rising and is well in excess of DM 1bn," he says.

He points to a rising trend in all three main types of activity—investment banking (including stock exchange business), trade finance, and "middle market" business (lending and services for medium-sized companies). He denies that Lloyds bought SMH simply because of its investment banking interests.

The bank has been profitable from the day of the takeover, *despite its heavy staff burden,* be says. "IBH was totally out of character with the rest of the bank and with how the rest of the bank was managed," Mr Brown says. The old bank in fact had a successful recipe of expert staff and a sound strategy, he believes.

The legacy of the past—the question: how did it happen?—has inevitably been the first topic of conversation with customers. But once over that hurdle, the Lloyds managers have been quick to assure clients that the bank, with basically the same staff, will continue to operate along the lines of a private bank.

Moreover, Mr Brown argues, Lloyds Bank International itself is relatively small and encourages nimble-footedness. "The way we approach business is very similar. Everybody has to show a lot of initiative."

Mr Brown says that SMH and Lloyds Bank in Germany at present are co-ordinating their activities, but "sooner rather than later" Lloyds activities will be brought together with those of SMH. Although it is not yet clear exactly how this will be done, he predicts that the process will be completed within a year.

Lloyds Bank in Germany, with a staff of 90, has many operations which are a good fit with those of SMH, which has a much bigger staff of 375, he points out.

Mr John Hobley, sent in by Lloyds as one of the SMH general managers, says that Lloyds itself has branches in some West German cities where SMH is not represented. Their trade finance activities are complementary, with Lloyds involved in financing exports and transit business, and SMH more involved in financing imports.

However, the two banks have different types of foreign exchange dealing rooms, SMH concentrating on customer dealings and Lloyds more oriented towards arbitrage. For this reason, although the aim is to bring the two bank organisations together, they may continue to run two separate foreign exchange trading rooms, Mr Brown says.

Focused attention

The problems et the old SMH inevitably focused more attention on West Germany's private banks, whose financial affairs are even more heavily veiled than those of other banks. But SMH is seen as an aberration which has done little damage to the standing of private banks in general—particularly as no non-bank customer lost any money, thanks to the banking system's rescue operation.

The number of private banks has been falling steadily for many years. There were 148 in 1973 and only 76 at the end of last year, while their share of total bank business volume during this period has shrunk from 2.17 per cent to 1.38 per cent.

But much of the activity of private banks does not show up in the balance sheets, and they remain a vigorous banking element in West Germany, enjoying fairly lucrative earnings in recent times, judging by available figures.

In quite a few cases, private banks have developed close ties with larger institutions, while endeavouring to continue operating in their traditional spirit. Lloyds sees its involvement with SMH as being in line with this tendency.

Electronics spur a change of image

Technology
JOHN DAVIES

HERR WOLFGANG BLASE is one of the younger generation of company finance chiefs in West Germany who feels completely at ease in the fast changing world of office computers and banking technology.

As head of the finance department of a U.S. subsidiary, he bas been supervising introduction of a system of porsonal computers, partly to benefit from international electronic banking services.

Although it has a conservative image, West Germany these days is beginning to show more interest in electronic banking. U.S. banks have been promoting cash management systems for some time, but major West German banks have also entered this field.

Increased interest has been spurred lately by the development of Bildschirmtext (Videotex), which despite many problems offers the prospect of a national system of conducting routine bank transactions from home or the office. Moreover, there is growing realisation of the part which relatively cheap personal computers can play in *an electronic banking system.*

For Herr Blase, finance and advanced technology have gone hand in band, not only during his career but also during his studies. At the universities of Rochum and Dortmund, he studied economics and business administration—as well as the fundamentals of electronic data processing.

He then spent two years in the finance department in Germany of Hewlett Packard, the U.S. computer concern, gaining insight into the use of personal computers and the development of software.

After two years in the finance department of another company, he has been for the past year finance chief of the West German subsidiary of Kimberley-Clark, the U.S. "Kleenex tissues" company.

At the company's offices in Koblenz, Herr Blase has supervised introduction of an electronic banking service offered hy Citibank of the U.S. Through personal computers, his department receives bank account data, as well as a flow of information on interest rates and currency exchange rates as a basis for financial decision making. It also makes electronic transfers of funds to the parent company in the U.S. and other Kimberly-Clark subsidiaries in the UK, France and Holland for raw materials and for semi-finished and completed goods.

Herr Blase is keen to extend the use of personal computers to draw together and process data from various sources, including domestic bank transections, thus providing a comprehensive basis for up-to-date financial management.

He is convinced that *corporate finance departments* must increasingly exploit the benefits of new technology—a view gaining ground against more traditional attitudes in West Germany.

In line with this trend, Dresdner Bank, the country's second largest hank, recently *launched a cash management* system designed to bandle international and/or nationei transactions and centred on personal computers.

Dresdner worked with National Data Corporation of the U.S. in developing elements of the system, dubbed Drecam, which involves balance reporting, money transfers and treasury management.

Internationally, it envisages data flows through the General Electric global transmission system. Nationally, it foresees data flowing between customers and various hanks via the Bildschirmtext computer network being put in to place by IBM for the Bundespost, the postal and telephone authority. Dresdner points out that the Bundespost has already, on request, approved the interface of Bildschirmtext devices with personal computers.

Herr Hans-Joachim Brückner, e Dresdner technology expert, says that the Drecam system is currently being presented to the bank's corporate clients. The system can be adapted to individual needs, drawing together and working on information *from various sources,* including the user's own data base.

Dresdner has been carefully biding its time and analysing market requirements while some other banks—notably major U.S. banks—have been promoting international cash management and reporting systems. Citibank and Chase Manhattan have been prominent in the field, while Commerzbank launched a system more than a year ago based on the Chemical Bank model and now named Cobra.

One of the big obstacles to the spread of electronic cash management in Germany in the past has been the reluctance of domestic banks to exchange data to enable a comprehensive system to he huilt up for a client. This problem may be resolved hy the banks arranging to channel data through the Bildschirmtext system, to be called up hy clients.

In the immediate future, Bildschirmtext is thought more likely to appeal to business clients rather than householders, hut the Bundespost—and hanks—see home banking eventually becoming popular.

UK Engineering

A remarkable rise in productivity has come almost entirely from a massive cut in the workforce. The surge in capital spending is strong evidence of recovery.

Confidence rising as output goes up

By Ian Rodger

BRITAIN'S BATTERED engineering industry is on the way back. Output is up, profit are up, liquidity is up and, most important, confidence in the heart of traditional British manufacturing is being restored.

This new confidence has been reflected first in the stock market, where the engineering group of shares has been outperforming the market as a whole. In the past year, the FT-Actuaries mechanical engineering index is up nearly 13 per cent, while the all-share index has risen only 5.4 per cent.

More recently, confidence has appeared in a more tangible form in a long-needed surge of capital spending, which indicates that investors now believe there are good profits to be made in engineering in Britain.

It is also there in scores of anecdotes from companies once again proud to offer their much-improved products in both home and export markets, or delighted to discover that UK managers and workers can perform, as well as their West German, Japanese and American competitors.

"We are now able to demonstrate a competitive product coming from the UK," says Mr Trevor Lamb, the director of IMI's fluid power division, a large producer of pneumatic fittings and controls with factories in the U.S., Italy and Britain. "I was worried about whether the workforce would accommodate change, but attitudes have changed, and I will continue to invest here."

The recovery in the engineering industries is certainly timely. Last year, for the first time since the industrial revolution, Britain suffered a trade deficit in manufactured products.

Over the past decade, the deterioration in the trade balance stemmed largely from the decline in the international competitiveness of the motor industry. But more recently, some of the traditionally stalwart sectors of the engineering industry—construction equipment, engines and agricultural equipment—performed badly as well.

There will almost certainly be another deficit in manufactured goods this year, but the recovery of competitiveness in many sectors of the engineering and motor industries gives grounds for hoping that the trend will change soon.

The loss of competitiveness of British industry in the late 1970s hurt most sectors of engineering, but there have been surprisingly few casualties.

The foundry sector is perhaps the only major one that has simply not been able to cope with the rapid changes in its environment. A lot of capacity has been lost and some remaining foundries still do not seem to produce castings of the rising quality that manufacturers need if they are to be internationally competitive.

Source: DTI

Damage

Other sectors, notably drop forging, are having difficulties recovering because their skilled workers have gone elsewhere and seem loathe to return. And it is still unclear how much lasting damage has been done to the construction equipment industry, shaken by the collapse of the West German IBH Holdings group last year and by an assault by Japanese manufacturers.

Other sectors have been badly scarred but companies in them have doggedly rationalised, improved their products and productivity and fought back. The fork-lift truck and machine tool makers, for example, are beginning to beat back significant Japanese penetration, and the important agricultural tractor sector seems stronger than it was three years ago despite its fragmented state.

The upheavals of the past few years have not spared the four traditional leading companies in the engineering sector. But they are all still there and they seem to be developing promising new strategies.

Quest Keen and Nettlefolds no longer makes ordinary steels and only a few nuts and bolts, but it has become a highly-competitive player in the international motor components business. TI, formerly Tube Investments, has sold its controlling stake in British Aluminium and tube making accounts for less than a quarter of its turnover. But the group is making huge profits on domestic appliances.

Vickers is out of shipbuilding and into making Rolls-Royce cars, but its biggest profit-maker is a lithographic plates business. And John Brown, which nearly went bust last year, is out of machine tools in the UK and counting heavily on a plastics machinery business for its recovery.

Whatever businesses they are in, the managers and workers of most engineering companies today know they are involved in an endless struggle to win and hold on to markets both at home and abroad, a situation that forces them constantly to seek ways to improve their products and productivity.

It is a startling experience to meet a manufacturer who has closed a factory and made thousands of workers redundant, and hear him say that he still has to cut his costs by another 20 per cent. But that is a fairly common view in industry today.

Co-operate

Babcock, for example, has cut the workforce at its Renfrew, Scotland boiler factory from 5,000 in 1977 to 2,800 and trade unions have co-operated in eliminating inefficient work practices.

But Mr Mike Hoffman, managing director of Babcock, makes clear there is still a long way to go. He estimates that Korean manufacturers can make boilers at 40 per cent lower cost than Babcock. A few years ago, a British engineering company might easily have despaired at the recognition of such a competitive disadvantage. But Babcock is planning to invest £30m to modernise Renfrew.

Mr Hoffman says this will not close the productivity gap completely, but he is gambling that the group can make up in innovation and design what it loses to the Koreans on labour costs.

The remarkable 19 per cent rise in productivity in the engineering industry in the past four years has come almost entirely from the massive one third cut in the workforce that has occurred.

That, as one manufacturing director says, was the easy part. Now all the talk is of value engineering — designing products so they can be made better but at lower cost — and of increasing the flexibility of manufacturing machinery so that costly work-in-progress can be reduced and customer response time shortened.

The present government has often seemed interested only in high technology and service industries, and manufacturers in traditional sectors grumble that their needs have been forgotten. But a series of government programmes to help manufacturers u enew technologies to improve productivity is beginning to make an important contribution.

For example, the country has one of the highest rates of usage of sophisticated computer-controlled machine tools in the world, even slightly ahead of Japan.

Also, government ministers are aware that, in the near future, Britain is once again going to have to rely heavily on its manufacturing industries to support the balance of trade. The more competitive British industry becomes, the less the exchange rate will have o fall when the oil surplus disappears.

Tomorrow, Mr Kenneth Baker, Minister of State for Industry, is expected to make a major speech indicating the Government's view of the role of manufacturing industry in the economy.

He is to speak at an important three-day conference at Cambridge on strategies for survival and success in manufacturing, sponsored by the major professional engineering institutions.

The engineering industries are also getting a boost from the new Engineering Council. It was formed two years ago partly to take over the professional accreditation responsibilities of the Council of Engineering Institutions. But it was also intended to update engineering training programmes and try to present the engineering field as an exciting and attractive one for young people to enter.

The Council has begun strongly, seeking more Government funding for engineering education and showing stock market analysts of engineering companies how to be more rigorous in their questioning of managers.

In a recent initiative called WISE 84 (Women into Science and Engineering), it is also trying to convince young women students that engineering is not dirty and dull.

Mr John Butcher, the Junior Industry Minister, has already joined the campaign, saying he would be proud if, in a few years' time, his son married an engineer.

It is difficult to estimate just how well the British engineering industries can do. Certainly, there is considerable room for improving their market shares, both at home and abroad.

Good design and automation can reduce the importance of differing labour costs, and British engineers still pride themselves on their innovative

The challenge, as Mr Roy Roberts, managing director of GKN, puts it, is to "connect our innovation abilities to at least good production standards. Provided we do that, I believe this country can become again a good manufacturing base."

CONTENTS

Editorial production: Michael Strutt
Layout: Phil Hunt

UK Engineering 2

Doubts about the criteria

Government programmes

PETER BRUCE

THE WORLD'S only travelling automated factory is making its way around Britain today, evangelising the benefits of compoter aided design and manufacture to a group of wary industrialists in much the same way as Colonial Office men in safari hats would tramp Africa extolling the virtues of contour ploughing more than 100 years ago.

The mobile CAD/CAM demonstration unit is the creation of the Department of Trade and Industry which, with mere than 100 scbemes designed te encourage the creation of businesses and the adaptation of sophisticated technology in manufacturing under its belt, seems to bave an endless supply of new ideas, and not e little money, with which to promote its message.

A Parliamentary select committee recently called the schemes a "muddled complexity," and recommended they be streamlined and made more sensible to the people they were designed te assist. It is impossible t osay wbether this was because the MPs *themselves* did net understand the schemes, but there is little dout that a great deal of meney has been paid out to those smart enough to make use ef the system.

Newhere is this more true than in the 15 schemes grouped under the Support Fer Innovatien programme, ene close to the beart ef the Prime Minister and the Minister for Infermation Technelogy, Mr Kenneth Baker.

Broadly, the schemes pay np to a third of the costs of project assessment, sometimes more, a third of product development costs and the DTI will at times even buy the first item off the production line to show eff (at its ewn expense) to a few potential customers.

Take the Microelectronics Application Project, designed to encourage manufacturers and others simply to *use* microelectronics. By the end of last year, £65m had been spent since 1978.

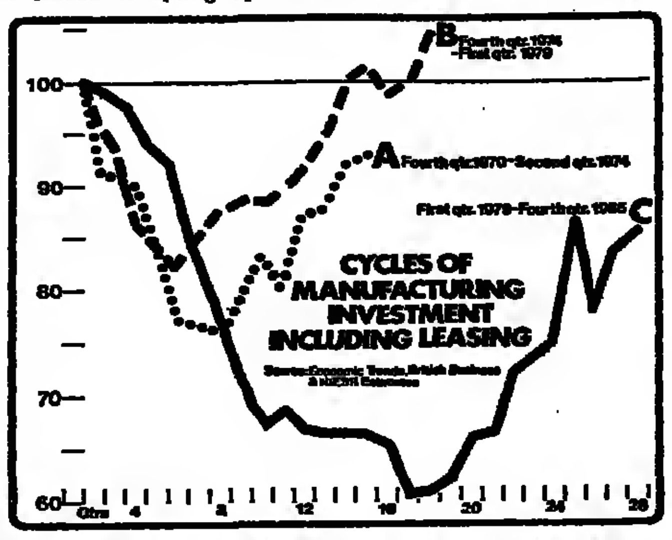
There is the Microelectronics Industry Support Programme, more innovative than its counterpart in that it encourages research and development and helps pay fer plant, buildings, product launch and marketing — £55m spent since 1978.

The Fibre Optics and Opto Electronics Scheme, was set up in December 1982 and close to £40m has been spent on the design, development and launching of new or improved products or processes "in relation to optical fibres, eptoelectronics, optical sensors and instruments for such activities," as the guide book says. There is more.

A further £70m has been allocated to applicants under the Computer Aided Design, Compoter Aided Manufacture the various schemes have (CAD/CAM) scheme, the Computer Aided Design, Manufacture and Test (Cadmat) scheme, the Compoter Aided Design and Test Equipment (Cadtes) scheme, the Flexible Manufacturing Scheme, the Industrial Robots Scheme, the Biotechnology in Industry Scheme, the Databases Scheme, the Software Products Scheme and the Telecoms Products Scheme.

If it is easy to poke fun et the array of help available, it is more difficult to judge just how effective they are. DTI efficials insist, however, that the manufacturers they bave worked with have strengthened either their product ranges or productivity.

It is probably because success is so hard te define, and because it tended to spring up on a



rather ad hoc basis in response te pressure from industry, rather than Whitehall, that they are criticised. In addition to the select committee on trade and industry labelling them "muddled," at least two other questions have been raised by sceptics.

- Should the Government, committed as it is to minimal state intervention in industry, be in the business of supporting new ventures?
- Is the Government not wasting its money on supporting adventurers too weak to have any international impact, when funds could be invested in building up substantial new strengths in production of new technology.

The possibility that the wide range of schemes might be verging on the unwieldy is now being acknowledged by the Government. Mr David Trippier, Minister in charge of small businesses, signalled recently that at least those schemes affecting small businesses will be overhauled and the expectation is that some will be dropped and obvious candidates merged.

Some SFI schemes have already been allowed to run their course and are not being renewed and it is likely that the industrial robots and FMS scbemes will be merged.

DTI officials defend Government's part in the schemes by arguing thta its role is to make peopla "aware of what they are missing." This seems especially true of the CAD/CAM echsmes—the Government has made it clear before thta it was seriously concerned at the poor usp made of the technology in UK industry, while European, Japanese and U.S. competitors built up experience with it.

Tha object, it appears, is to get in and get out again as quickly as possible. "Once you've got 5 per cent to 10 per cent of an industry exposed to the state of the art technelogy then it up to the rest to follow (on their own account)," says one official.

Officials also argue that the projects they generally become involved with are "high risk" and that in the absence of private sector financing no progress would be made at all if the Government did not give new ideas a nudge in the right direction.

The second criticism is somewhat contentious, and centres on the DTI's apparent lack of concern that while money is being spent encouraging development in new technology, the large number of recipients means the cash resource is dissipated.

Some £12m bas been spent, for instance, through tha Industrial Robots Scheme, designed to encourage the development and application of robots, yet Britain remains an insignificant force in the international robotics market. Much of the money has gone to what one UK robot builder refers to as "inventors" who have little prospect of matching the major producers in the market.

The Government, and many of the private sector consultants attached to the SFI schemes, counter this criticism by arguing that it is "more important for Britain to *use* new technology than to *make* it."

Probably the most revealing example of this occurred during the life of the Small Engineering Firms Investment Scheme (Sefis), which expired after two years at the end of 1983. The idea was to encourage small engineering shops to buy computer-controlled machine tools.

But if UK machine tool builders thought they were about to be swamped with orders, with the Government paying a third of the selling price, they were sorely mistaken. The British managed to secure just over half of the orders made through Sefis, with most of the machines imported with cash from the old Department of Industry coming from Japan.

And the Japanese were not selling specialised machinery either—their sales under Sefis were won in direct competition with UK producers.

The problem facing those critical of the Government's attempts to prod industry in one direction or another is that failure is almost as difficult to measure as success. Essentially, the arguments for and against the style of intervention, and certainly the scale of it, are political, not empirical. That is not the case, however, in those areas where the Government has become involved in breaking up, or rationalising established industrail structures.

Much of the Government's cash for restructuring has gone into the steel industry, which is hardly surprising since the state-owned British Steel Corporation, because of its wide product range, has been drawn into most of the rationalisation projects in steel-related sectors. Money has been channelled through the BSC and by the DTI through its (£34m) Private Sector Steel Scheme, which expired at the end of last month.

Probably the most conspicuous success in reducing capacity in the steel industry was the creation in February 1981 of Allied Steel and Wire, a combination of the wire rod interests of the BSC and Guest, Keen and Nettlefolds, optimistically designated Phoenix One. AS & W, born out of two loss-making operations, is now understood to be trading at a profit.

The jury is still out on Phoenix Three, the merged press forging businesses of the BSC and Johnson and Firth Brown which, as Sheffield Forgemasters had to close one works, with the loss of 100 jobs, early last year. By December last year, the group announced a pre-tax loss of £18m in the 65 weeks to July 1983 which the board admitted was worse than expected. By last March, losses were continuing.

The wholly private sector restructuring programmes probably have proved an entirely more agreeable exercise for the DTI, if only because the cash remands on it have been relatively modest and the fact that responsibility for success or failure lies elsewhere.

A number of private sector steel producers and rerollers have been encouraged to close because of Government aid. Most recently, F. H. Lloyd and the Brockhouse group closed rolling mills with Government help and their production quota, dictated by the European Commission in Brussels, was transferred to Sheerness Steel in south east England. Without question, Sheerness' ability to compete on the export markets has been strengthened by the deal.

Bnt a programme designed by Lazard, the merchant bankers, to cut capacity in the general steel castings industry, whicb generated a lot of enthusiasm, net only from Government, in 1982, has not lived up to its early promise.

Analysts confident of profits recovery

ENGINEERING'S importance to the UK economy may have diminished significantly since 1979, but engineering shares still provide full time employment in the City for some of the largest research teams in the stockbroking community.

Most had their institutional salesmen standing ready by their telephones last year for the slightest sign that capital investment flows were taking over from the boom in consumer spending—and when that sign arrived first at the end of the third quarter, then engineering stocks began to move.

The gathering evidence of the first really sustained rise in volume demand for five years brought a sparkle to countless shares in the mechanical engineering and metals and metal forming sectors. For the most part, they had been left to languish on the sidelines earlier in the year, while investors rushed for recovery situations among the motors and distributors.

In the fourth quarter, companies like Bestobell, John Brown, J. H. Fenner, Hawker Siddeley and Mitchell Cotts managed a share performance relative to the rest of the market which at least restored a modicum of respectability to their relative underperformance for the year as a whole.

The first two months of 1984, though, saw the biggest gains of all across a wide spectrum of the engineering market. Reviewing the drastically altered cost structures of many companies, the trends in capital spending and the boost to export prospects from a weaker pound, the brokers' analysts hastily upgraded their earnings forecasts. This knocked a few points off the earnings multiple price tag of virtually every company which had struggled intact through the recession.

Above all, the analysts concluded that the profits recovery would persist through into 1985, leaving investors something still to go for even at this stage of the cycle.

Not surprisingly, perhaps, those shares most severely depressed by the recession now enjoyed the most robust rebounds. Putting this in perspective needs some appreciation of the premium awarded by the market to the top-quality engineering groups over the past few years.

Engineering shares

DUNCAN CAMPBELL-SMITH

The impact of the industry's collapse in 1980 was brutal. When it is remembered that a leading name like GKN had the City analysts downgrading their profit forecasts from over £100m for 1980 to nil or worse within *the space of months*, the market's retreat into quality can be more readily understood.

The result, anyway, was a significant p/e multiple premium for groups such as Hawker Siddeley, Matthew Hall and Smiths Industries. The whittling away of this premium in January/February was the surest symptom of investors' new confidence in the sector.

The engineering team at broker Capel has kept a weather eye on support for the more cyclical stocks without allowing itself to be deflected from the premier names which still carry the main weight of their recommendations. The team published a massively researched tome at the start of the year to present "Twelve Core Holdings" in engineering and motors.

Analyst Ewan Fraser readily admits that the performance of the 12 has perhaps been a little disappointing over the short term, just about keeping level with the general market as a group. But this is only another reflection of the market's realignment and alters Capel's main conclusions not at all.

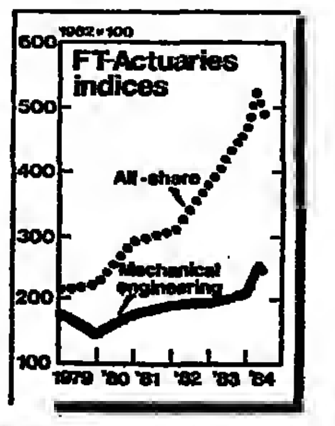
"It is just that people's horizons have widened to include some of the cyclical stocks," says Fraser. "People have seen how well you can do if you get the recovery right—but you have to have been very selective."

In the second quarter of 1984, moreover, the task of picking out recovery stocks has become a good deal more difficult. The 2-4 per cent relative overperformance of the sub-groups within the engineering sector which was a feature of the first three months has given way to a very much more mixed showing. The metals and metal forming shares, for example, have fallen nearly 10 per cent behind the rest of the market.

The new weakness—which has developed in the face of reported results for 1983 showing a 70 per cent or so jump in profitability, more than fulfilling City expectations—is of course due in part to profit-taking. Shares like Birmid Qualcast and TI soared in the opening quarter. Investors impressed by the achievements of their managements but worried still by the poor quality of their business environments can hardly be blamed for wrapping up their capital gains.

But there are other, more fundamental grounds for the recent re-assessment. Investors' jumpiness already has something to do, it seems, with the volatility of the engineers. "People are starting to look into next year," explains Lee Morton of the engineering team at brokers Hoare Govett. "They see the top end of the cycle for some of these boys and they are taking their profits."

Reperts in the City of a still patchy pattern ef demand for engineering output have not helped. The budget's changes,



coming in the wake of a general switch in the City to p/e multiples based on actual tax rates rather than notional, have also left many of the engineers looking slightly more expensive.

And the miners' strike has generally dampened sentiment, even if it has yet to have mnch of a perceptible effect on the profits outlook of more than a few, well identified mining industry suppliers like Dobson Park.

Above all, the mixed performance of the engineering shares reflects one of the most difficult investment judgments required since the 1960s. As Lee Morton puts it: "The big qnestion mark in most fund managers' minds is almost impossible to quantify but it hinges on one critical point: these companies have in almost every case drastically slimmed down their cost base—but precisely how much have they reduced their cyclical vulnerability as a result?"

The answer increasingly appears to be: the mere they have switched to higher value added goods and the less they still depend on simple volume demand, the better their prospects are.

Other investment criteria obviously remain at hand, notably the shape of a company's balance sheet. Many of the quality names, like Hawker Siddeley, now have net cash positions. But the sheer weight of the industry's reorganisation over the last four years seems bound to push the "value added" touchstone increasingly to the fore.

Waiting for stronger demand


Manufacturers must introduce new models to compete, though fierce discounting has been found necessary to prop up falling sales.

BY NOW, given the strength of Britain's economic recovery, the fork lift truck market in the UK should be well out of the record depths to which it sunk in 1981. Sadly for the 20 or so lift truck manufacturers who compete for a share of the UK market, demand is now running at just over 10 per cent above 1981 levels.

Even if demand strengthens, it seems unlikely, say industry analysts, that more than 9,000 lift trucks will be sold in the UK this year—well below the 11,800 delivered in 1980 and the 15,294 sold in 1979.

Nevertheless, manufacturers believe that the British market is now growing faster than its two major European counterparts—West Germany and France.

"The UK is at the leading edge of the recovery," says Mr Ken Orr, sales manager for Caterpillar lift trucks in Europe, Africa and Middle East.

"There is a strength in the one- to three-tonne lift truck market that wasn't there a year ago, and a strength in the UK which has not been evident in the rest of Europe," he says.

Mr Orr's enthusiasm for the UK is a telling comment on just how badly the rest of the European market is performing. It is difficult, still, to find a manufacturer selling in the UK who is achieving list prices. All the recovery in demand has done has weakend, to an extent, the fierce discounting that has plagued the industry for the past four years.

"People are desperate for business," said a Yale Materials Handling official, confirming that discounting is still rife in Britain. Other manufacturers talk of deals being taken away from them at discounts of up to 30 per cent off list price, although average discounts are now thought to be down to around 15 per cent.

Faced with competition even at that level, says Mr Mike Hughes, managing director of one of the most successful new importers into Britain, Still, of West Germany, "you just have to walk away from it." The problem, says Mr Hughes, is that the industry as a whole has misjudged the severity of the recession and its effect on the lift truck market. "It's gone down and it has stayed down," he says, "everybody's ended up with egg on their faces."

For those UK manufacturers brave enough, or desperate enough, to venture abroad the problems are even worse. Competition in export markets outside the EEC, says one British producer is "simply unbelievable." In one Middle East market, lift trucks are being sold for nearly 40 per cent off their *discounted* price in the UK.

Fork lift trucks

PETER BRUCE

But a second factor has combined with insufficient rationalisation to dog manufacturers now that demand is picking up: Customers, says one LancerBoss executive, Mr David Phillips, are squeezing up to two years more life out of their trucks and the second-hand and rebuild markets are very strong in the UK.

Phillips believes, however, that the trucks sold during the boom years between 1976 and 1979 must now be close to exhaustion and will need replacing soon.

One of the difficulties facing manufacturers in the recession, during which all attempts to persuade the industry to rationalise on facilities and models failed, has been the need to constantly bring new models into production, for fear of losing ground to competitors, and to spread their range of products as wide as possible in the hope of netting some business.

LancerBoss, for example, is now making strenuous efforts to enter the small, volume trucks business that might effectively negate its traditional role as a supplier of prestige heavy trucks and container handlers.

Along with many other producers in the UK, LancerBoss has had little option. Most manufacturers have all but abandoned direct sales since the recession began, and now use distributors whose cash flow requirements dictate a wider range of products if they are to be kept loyal. This need is even more acute in export markets.

One effect of the introduction of new models, by almost every indigenous manufacturer in the past year, has been to blunt the penetration of the market by Japanese importers.

The share now taken by Toyota, Komatsu, Datsun, Mitsubishi and other Japanese manufacturers is reckoned by analysts to have steadied at around 20 per cent, a slight fall from the overall 25 per cent taken in 1981.

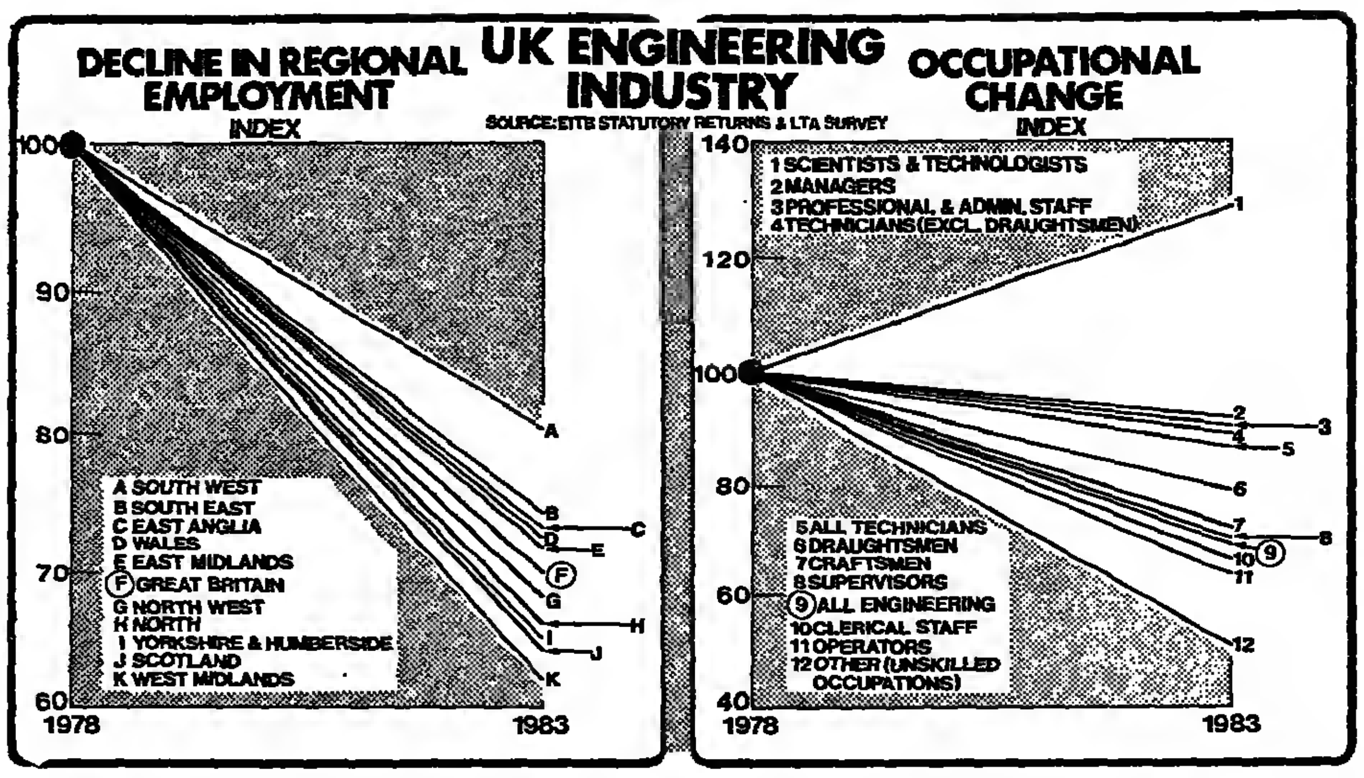
Much of the fall is accounted for by a fall in share of the small truck market, below three tonnes lifting capacity, where the Japanese share rose from 25 per cent in 1978 to 49 per cent in 1981.

The Japanese producers have also undertaken voluntary import restraints and falling sales in Japan have inhibited in some cases, their ability to match the discounting by European importers in the UK.

Future search for flexible skills

Education and training

ALAN PIKE



EDUCATION AND training requirements in engineering are going through a period of most radical change as new technologies advance through the industry.

The loss of unskilled and semi-skilled jobs has been heavy during the recession, creating a pattern which is set to continue. In the coming years engineering employers will be looking for craftsmen with flexible skills, a growing number of technicians and a fair share of good graduates.

Current attitudes towards education and training do not guarantee that these requirements will be met and the Engineering Council, in one of the first major initiatives since its inception, is calling upon the Government to divert £200m a year for five years towards the training of engineers.

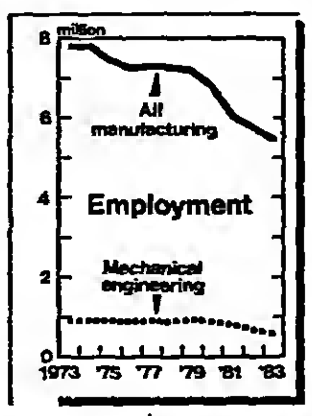
The council believes there is a "major national problem" in the shortage of training places for chartered engineers, technician engineers and engineering technicians arising from economic pressures on training. Large companies, it concludes, train only for their own immediate requirements, and smaller ones do not have the resources to make up the shortfall.

Tax

In proposals on which it has been conducting consultations during the spring, the council calls on the Government to provide extra funds for engineering training. It believes the money could come from the EEC, the establishment of a national training tax on employers similar to the French system, or the provision of funds re-allocated or unused from other training schemes.

The council is also arguing that there should be a 10 per cent swing from arts-based to science-based places in higher education, with most of the extra science places going to engineering students. It wants a five-year long earmarking of funds as a pump-priming exercise to help engineering departments, and a new secondment scheme to enable 500 academic staff a year to spend up to 12 months in industry.

"The education of qualified engineers stands in a central relationship to wealth creation in industry in general, and to manufacturing, construction and process industry in particular," says the council in a policy statement on resources for engineering education.



"While it is all too likely that there will be a reduction in funding — or at best level funding — for the further and higher education system as a whole, resources for engineering will need to be maintained or even increased if accredited courses are to represent standards comparable to the best in the world."

The Engineering Council, set up by the Government in response to the 1980 Finniston report "Engineering Our Future," last year took over responsibility for registration of chartered engineers and awarding the CEng title from the Council of Engineering Institutions. All 53 professional institutions involved in the CEI's registration arrangements have joined the new Engineering Council system.

Plans are being made by the council to hold a first-ever national assembly of UK engineers next year. The assembly is intended to become an annual event; and 300,000 registered professional engineers and engineering technicians will be able to elect representatives to it from within about 20 local constituencies.

During the present recession recruitment of apprentices in engineering has fallen to the lowest levels since records began during the recession. This year about 7,800 new apprentices entered the industry (including foundries) — 1,000 fewer than last year and 15,000 below the annual mid-1970s intake. The rate of redundancies among apprentices during training is slowing down, but during 1984 has still beeo running ot about 60 a month.

By 1986-87 the supply of newly traioed craftsmen to the engineering industry will have fallen to only half its 1979 level. In spite of changing employment patterns, and effort by the Manpower Services Commission to encourage more adult retraining the Engineering Industry Training Board is convinced that skill shortages will occur in the future.

Shortages

The board says there are already many indications of shortages of high-level skills, particularly software and electronic engineers, while some companies are experiencing difficulties in recruiting good-quality technicians and mainteoance staff with skills in electronics.

Controversy has recently surrounded the efforts of the statutory EITB to tackle these problems. A group of leading engineering companies have accused the board of being pre-occupied with training in declining areas of engineering, and has been campaigning for its abolition.

The Government has, however, decided that the board should survive, and the EITB has launched a programme to regain the confidence of the industry. This will include concentrating on the need for high-quality employees in high technology areas, and phasing out long-term training grants.

Engineering employers will have an increasing need for good quality recruits in the coming years, and an obvious source of such employees is among women. The industry's record for attracting women graduates is not a good one, and efforts are being made to improve the position this year with the WISE 84 (Women Into Science and Engineering) campaign being run by the Engineering Council and the Equal Opportunities Commission.

A series of initiatives is planned to try to convince successful women graduates and school leavers that the UK engineering industry is no longer—if it ever was—a place where all jobs are heavy, dirty and dull.

Steady climb in new orders

Machine tools

PETER BRUCE

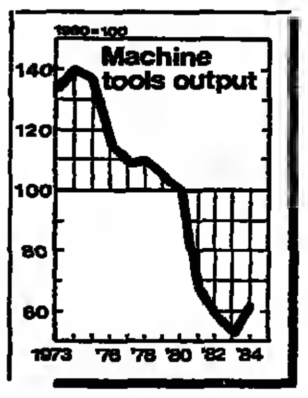
BY THE beginning of 1983 orders taken by the British machine tools industry, under attack from cheaper innovative Japanese competition and apparently quite incapable of retaliating, had sunk to about £333m, slightly more than half the total in 1979. Watching the British casualties mount, it became fashionable for a while to wonder out loud whether the country needed a machine tool industry at all.

Even though that idle debate never quite seems to go away, the past 18 months have demonstrated that the indigenous machine tool industry is still alive and quite well. If the patient has not fully recovered, it is at least sitting up in bed.

New orders have been climbing steadily since the second quarter of last year, led by demand on the domestic market. Orders for the first three months of 1984 were 19 per cent higher than the last quarter of 1983 and 35 per cent higher than the same period last year. UK orders are up more than 50 per cent on the first quarter of last year, although overall orders remain some 40 per cent down on 1979.

It is also clear that there are still a number of steady hands about ready to come to the rescue of ailing British machine tool companies. TI took over Alfred Herbert last year. John Brown Engineering has found a buyer for its Wickman multi-spindle lathes business, and the Webster and Bennett vertical boring machines, and another for the Halifax-based Kitchen Walker boring machine operation. Three former Brooke Tool directors bought the group from its receiver in April of last year.

Penetration of the UK market by Japanese producers, particularly in computer numerically controlled (CNC) machining centres and lathes also appears to have been blunted. The Japanese share of imports rose overall from 4 per cent in 1976 to 13 per cent in 1982. The Japanese machining centre share of imports, however, rose from 2 per cent to 70 per cent at the same time, with CNC lathes doubling their share to 38 per cent.



A number of factors have now combined to take the shine off that performance however. A poor home market has weakened volumes in Japanese plants and, consequently, their ability to export competitively. The UK lathe market has softened considerably anyway, and complaints by local manufacturers at the level of Japanese imports have resulted in agreement with Japanese manufacturers and the Ministry of Trade and Industry in Tokyo to cut back on machining centre sales in the UK, apparently by about 20 per cent this year.

Agreement among UK producers to ask for an extension into 1985 of that agreement has angered machine tool importers in Britain, and threatened to divide the industry's representative body, the Machine Tool Trades Association, which speaks for both local manufacturers and importers.

A number of UK manufacturers have also made a dent in the strength of the importers by concluding licensing agreements with Japanese manufacturers, particularly for popular small CNC machining centres which can perform a wide range of cutting tasks in both large and small machine shops.

In June last year DeVlieg, a U.S. producer, agreed to make Okuma's small machining centres in the UK, shortly after Brideport, another U.S.-owned company, had reached a similar deal with Yasuda.

In November, the first indigenous UK producer, Frederick Pollard, signed a three-year licensing agreement to build Mori Seiki's machining centres and was quickly followed, last May, by the two remaining UK-owned producers still capable of competing with the rest of the world in high-technology flexible manufacturing systems — TI and KTM, the Brighton-based Vickers industry.

Foothold

TI Matrix and Herbert Churchill have linked up with Takisawa and KTM with Mitsubishi to build small CNC machining centres in Britain, largely, it seems, with a view to maintaining a foothold in the volume machining centre markets, particularly among subcontractors, while concentrating their own engineering efforts on the more sophisticated but still hesitant, FMS market.

Even John Brown had grasped the potential of the machining centre market, thought to be growing at some 15 per cent a year in the UK. A licensing deal was struck with Taiyo Seiki but the project is understood to have been abandoned once the parent company decided to withdraw from the industry in the UK altogether.

Judging by the strength of home market orders, the industry has entered an upswing in its traditional cycle. Analysts are guarded about forecasting just how strong the recovery will be, but there is general agreement that orders are unlikely to return, this time at least, to the £600m of 1979.

Given that, it is hardly surprising that some rationalisation continues. B. Elliott has recently cut back sharply on capacity but there does seem to be a reluctance, according to some managers in the industry, on the part of weaker producers to make cuts which could cost them business during the recovery, however modest it is.

New Perkins-powered Massey-Ferguson MF 699 tractor, the first six-cylinder tractor in the company's 600 series range, with two or four-wheel drive.

Progress by Ford

THE future of Ford's tractor operations has been a frequent subject of speculation in recent years. Would it be sold to Deutz of West Germany or perhaps merged with Sperry's New Holland combine harvester division?

Especially when the division did not seem to be doing well in the late 1970s, observers pointed out that it was not, after all, central to Ford's business. And it had an odd market spread — strong in the U.S. and the small countries of Western Europe, market leader in the UK and bits and pieces all over the world.

Despite the rumours, and the very difficult market conditions, Ford has worked away quietly, turning its Basildon tractor and engine plant in Britain into a highly competitive operation.

Mr Geoff Tiplady, director of tractor operations for Ford in Britain, says the company's investments at Basildon have averaged £10m a year since 1977. Also, there have been huge increases in productivity.

"In 1981, we produced 36.2 tractors a year per employee," Mr Tiplady says. "Today, the figure is 48.1, even though the tractors are more complicated. The engine figures have gone up from 66 per employee to 95.2, and the hydraulic kits from 96.7 to 122.8."

The first reward for these efforts came in 1979 when Ford decided to return to Basildon from a sister plant at Antwerp the responsibility for making cab-less tractors for the EEC countries.

Progressively since then, Basildon has been winning back from a Brazilian plant the mandate to source a number of other countries, including Australia, South Africa, Spain, Morocco and Greece, all significant markets for Ford. Mr Tiplady estimated the gain from these shifts at 5,000 units a year.

He is cautiously confident about the outlook. "This is not a booming business. Although our schedules are looking good, they are for thinner tractors (without high margin trimmings on them). But we have a good balance of products to see us through."

Pick-up after the redundancies

Process plant

ANDREW TAYLOR

GENERALLY overcast, becoming a little brighter in some areas but with few sunny periods. That is an apt, if somewhat familiar, description of the outlook for Britain's process plant industry into the mid-1980s.

Process plant is rather broadly defined by its manufacturers as "all that range of plant equipment and machinery used to convert material from one form into another and pack it for sale to industry or the public at large."

It covers a multitude of industries from food and drink manufacture to winning oil from the North Sea. However, despite its wide spread of uses, the sector has taken a heavy battering during the recession as companies have cut back on capital investment.

There have been substantial redundancies in the process plant industry during the past five years. A number of manufacturers have been forced out of business. Tha most recent and celebrated company to be overtaken was Capper Neill, which called in receivers at the end of February.

Nonetheless, there have been one or two signs recently that the recovery has arisen in other industries is starting to spill into parts of the process plant industry.

Sharp end

Food and drink manufacturers which have been at the sharp end of the boom in consumer spending—even if a lower proportion of household budgets are spent on eating and drinking — have been modernising and rationalising production by investing new plant and machinery.

Harry Hornsby, director general of the Process Plant Association, says: "There is a general feeling that things are taking a slight turn for the better in one or two areas. Food and drink is one; offshore oil exploration is another."

Tax concessions to boost North Sea oil exploration, announced in tho 1983 Budget, are now likely to work their way through to process plant manufacturers making platforms and other equipment for rig operators.

The oil industry estimates that expenditure on North Sea oil exploration and development is likely to total at least £60bn between now and at the end of the century.

"As exploration programmes take shape process plant manufacturers should start to benefit although the size and pattern of ordering is still not entirely clear," Mr Hornsby says.

There was also a resurgence in capital expenditure on process plant by the chemical industry last year—a pattern which looks like being repeated this year.

A recent survey conducted by the Chemical Industries Association forecast that capital expenditure by the chemical industry could rise by more than 25 per cent by 1985.

Investment, it said, will be aimed at improving productivity of older plants and continuing the industry's diversification into speciality chemicals. New projects will be concentrated in the £1m to £10m range rather than the £100m-plus range of the 1970s.

Longer term, however, the chemicals industry is suffering from severe over-capacity. Few major projects are in the pipeline and there is concern among process plant manufacturers about ordering patterns beyond 1985.

The electricity generating industry offers currently little comfort to process plant manufacturers. These are still awaiting the outcome of the Sizewell B public inquiry, the findings of which are expected to set the tone for ordering trends for the next decade.

Mr Ian Maclay, secretary of the process plant economic development committee of the National Economic Development Office, says that construction of Sizewell would not only provide much needed work for the sector but was also expected to provide a guide to which system — AGR or PWR — Britain planned to adopt for its nuclear power station programme.

Estimates of electricity consumption into the 1990s have been steadily reduced. As a result, the pace of new orders for power stations is likely to slow as expenditure on process plant by the electricity supply industry is thought to have peaked last year.

Steel manufacture also provides little fertile ground for optimism among process plant producers hoping to win new orders.

While the rise in orders in domestic sectors such as nuclear processing is encouraging, the outlook for export markets remains cloudy.

Competition for orders is intense while developing nations beset by massive debt problems are facing with the necessity of curtailing substantial capital investment programmes.

"We could do more to help ourselves in export markets," says Ian Maclay. "We have built up a considerable expertise thanks to North Sea oil, but too often it is contractors rather than process plant manufacturers who seek the lead position in winning new orders."

Tractor output stronger after consolidation

Agricultural equipment

IAN RODGER

BRITAIN'S important agricultural equipment industry has suffered a 30 per cent fall in output in the past four years and is poised for further retrenchment, but it is nevertheless looking stronger than ever.

This paradox arises partly from the substantial streamlining programmes the big producers have carried out, but also from the decisions of some multinational companies to bolster their British operations.

The agricultural equipment industry in Britain is mainly about tractors. The country is one of the largest producers of these machines, accounting for about 16 per cent of Western world output excluding Japan. And tractors make up three quarters of the £1.2bn value of Britain's annual output of agricultural equipment.

As recently as three years ago, many people feared that Britain's tractor industry was deteriorating. Two of the four multinational companies that manufacture in Britain, Massey-Ferguson and International Harvester, were on the verge of bankruptcy and the others, Ford and J.I. Case (then David Brown) did not seem to be making much headway against strong European competitors. Leyland, the only British-owned producer, was under threat of closure but was ultimately bought by an independent manufacturer, Marshalls of Lincolnshire.

The industry was too fragmented, it was argued. Consolidation was needed if it was to retain its competitiveness.

Today, that argument is seldom, if ever, heard. And the tractor industry, while still fragmented, looks, if anything, stronger than it did three years ago. Moreover, if consolidation had taken place, the industry might well be worse off than it is.

Would Massey-Ferguson, for example, have moved production to Coventry when it closed its Detroit plant two years ago? Would Ford have shifted output from Belgium and Brazil to Basildon in Essex? Would J. I. Case be planning to move some component manufacture to Huddersfield?

Also, the fact that a large proportion of UK tractor exports go outside the European Community should help the industry weather the next phase of retrenchment, caused by the reform of tho EEC's Common Agricultural Policy.

Demand for tractors has been depressed worldwide for many years and is likely to remain so, thanks to food surpluses in Western Europe and North America and lack of finance for agricultural equipment purchases in the developing countries. World tractor sales peaked at 840,000 units in 1976 and were down to 575,000 units last year.

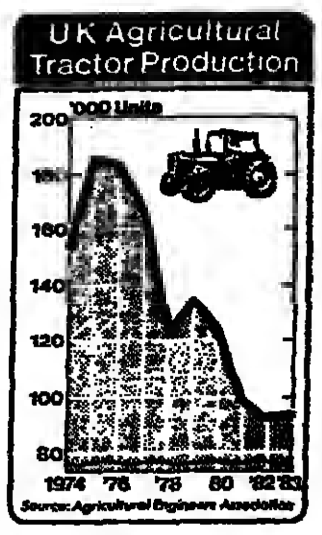
The UK industry has been particularly hard hit because its factories turn out tractors in the low to middle power range (30 to 90 horsepower). These machines sell best in tho developing countries but are slowly losing ground to more powerful machines in North America and Western Europe. All the British factories have suffered heavy financial losses in the past few years and all have carried out substanital rationalisation programmes.

Peak

M-F, for example has cut employment from 10,000 to 4,000 at its Coventry tractor plant—the largest in the world—and brought engineering and other services on site from other locations. It is now producing at a rate of 46,000 units a year compared with an 85,000 peak in the mid-1970s, but the export portion is probably higher, up to 42,000 units last year.

Ford's UK output has tumbled from 47,825 units in 1977 to just under 31,000 last year, and the workforce has fallen from 4,300 to an anticipated 2,500 this year. But the group is budgeting for a substantial 8,000 unit increase in production this year.

IH has concentrated production at Doncaster after closing its Bradford engine plant, its London office and its Long Long Sandall distribution centre. The workforce has fallen from 6,500 to 2,000 since 1979 and output is down to 65 tractors a day from 130 a day before tho recession. The IH group as a whole is in the midst of reassessing its manufacturing operations, and there could be further changes at Doncaster.



J. I. Case has maintained its two factories at Huddersfield and Leigh, Lancs., but has cut its workforce from 4,000 to 3,000. Output tumbled from 20,000 before the recesion to 13,000 in 1981 and recovered to 15,500 last year. The company has just announced that it will stop engine production at Huddersfield over the next three years but replace the workload with other components.

Surplus

Despite all the contraction, agricultural equipment is one of tho few important sectors of the British engineering industry that is still producing a substantial trade surplus. Last year, output was worth £1.2bn, and 63 per cent of it was exported. Imports were slightly les than £700m, leaving a surplus of £160m.

It is also a sector that is beginning to produce profits again. IH and M-F in Britian are both near the breakeven point and Case says it is on target to break even this year. Ford does not disclos divisional results, but it is thought to be in profit.

Other agricultural equipment companies showing some recovery since the recession include Ransomes Sims and Jeffries, the tillage and spraying equipment makers, which nearly trebled its profits to £3.22m pre-tax in 1983. Howard Machinery, which makes cultivation equipment, has been taking heavy extraordinary charges. It again made a small profit in tha year to October 31 1983 at the pre-tax level, and cut its attributable loss from £2.6m to £1.2m.

The producers recognise, however, that the outlook for demand in the near future is not bright. Cuts in EEC grain prices and dairy production quotas announced in April have already had a dramatic effect on farmers' agricultural equipment purchases. Tractor sales in Britain were 29 per cent lower in May than in the same month of 1983 and in West Germany, were down 30 per cent in the first four months of tho year.

Mr Geoff Tiplady, executive director of UK tractor operations for Ford and president of the Agricultural Engineers Association, warned in a speech in April that "It is virtually certain that further retrenchment will occur in some sectors before we can look forward to overall expansion in our industry."

A long-term battle for survival

Foundries

ARTHUR SMITH

THE WARNING that Britain's troubled foundries face "the prospect of a further decline of considerable magnitude over the next five to ten years," was sounded some months ago by the economic development committee for the industry, upon which government, trade unions and management are represented.

Markets have picked up a little subsequently and there is more optimism. But the latest statistics from Little Neddy underline the downward trends. The isolated exception is investment castings which continue to show growth. Another brighter spot is the expected but welcome reduction in the pace of rundown of aluminium castings.

In the words of one leading industry expert: "The latest figures merely confirm the trends, which are bloody terrifying." He adds: "Inevitably there will be some wiggling about around the trend line. Of course, there will be those who take encouragement from any upward wiggle—but such short-term changes do not affect the trend."

A similarly gloomy view is taken by Mr Stan Heginbotham, president of the British Foundry Association, which claims to present the bulk of the ironfounders. He acknowledges some upturn in demand but complains that it tends to be confined to particular sectors and shows no sign of being long term: "There is nothing in depth. Ne real change in the downward trend."

On the positive side, he volunteers that things are not getting any worse. "Indeed," ho says, "buyers are reporting a tightening in the market." Suppliers are becoming more selective and looking for a profit rather than merely seeking volume, he says.

Indeed, a feature of the shakeout brought by the depth and duration of the latest recession has been the greater professionalism of the foundries. New management has been brought in. The surgery has been clinical. Foundries have become almost too important to be left to the foundrymen.

Initiative

Those companies which are prospering are tending to do so at the expense of their competitors; the survivors are picking up the business of the failures.

Little Neddy, in an important but unpublished initiative, is sounding out all sectors of the industry to see how companies might make common cause either to reduce capacity or introduce new technology and become competitive.

The starting point was e series of three research papers into future demand for UK castings, current capacity utilisation and international competitiveness.

On demand, Little Neddy forecasts that output, which halved in the period 1975 to 1982, is likely to decline by a further 25 per cent by 1985 to 1990.

The continued displacemeot of casting for technical reasons is seen as the principal cause of the fall in demand—a trend that is under way regardless of any recovery in UK activity which might feed back into the customer industries.

But the rundown is expecetd to be gentle rather than dramatic "a continuing reduction in the number of active foundries can be anticipated. Other companies will seek economies in staff and other overheads."

Capacity utilisation is reported as "low but not dramatically so"—about three-quarters of the best production echieved in recent years. Most foundries, however, are operating a little below break even.

Use of capacity varies greatly according to the size of foundry and type of customer. Foundries operating at fairly low working tended to be those with fewer than 50 employees or those concentrating sales upon industries such as metal manufacture, machine tools, mining machinery, cars, commercial vehicles, components and shipbuilding.

But even for the big foundries supplying the automotive industry, everage utilisation or above had not resulted in working at or near breakeven.

Somewhat controversial was the Little Neddy finding of "clear first indications that the UK foundry industry is not internationally competitive."

No punches were pulled: "Unless the UK industry's performance does improve, its output is bound to contract further as its share of both UK and export markets yields to foreign competition. The only uncertainty is the rate at which this will happen."

One sector Little Neddy identified as a prime candidate for rationalisation was automotive castings, where a handful of surppliers account for more than 80 per cent of output from the independents.

Moves to involve Little Neddy in the scheme foundered upon trade union opposition. In the wake of the announcement that Ford planned to close its Dagenham foundry, the trade unions were not prepared to discuss still further cuts.

Undeterred, four companies—Birmid Qualcast, Midland Industries, Triplex and Duport—continued informal talks with n view to launching a private sector scheme. The scale of the project can be appreciated from the fact that their joint output is about 170,000 tonnes a year — ebout half the total supply of iron casting to the eutomotive industry.

Collapse

But even that ambitious project is now on ice following the financial collapse in May of Midlands Industries. The company is now in the hands of the receiver but industry sources say there is more interest in the Smethwick Foundry, West Midlands, employing 200 than the Bingley Foundry, Yorkshire, with 500.

Little Neddy argues that many sectors of the industry need to be cut to match likely demand and / or will need strengthening to meet foreign competition. There is general agreement that some consultation to achieve an orderly restructuring is preferable to leaving the future size and shape of each sector entirely to the operation of market forces.

Because the underlying problems, whether of volume, technology or capital requirements, vary between foundries, the first task is to establish potential "natural groupings."

Little Neddy has already written to 400 foundry companies which took part in an earlier survey of capacity utilisation to ask whether they were interested in principle in discussing the possible advantages of collaborating. Some 76 (18 per cent) responded of which 45 registered an interest in such discussions.

The response was not thought to be truly representative, however. More than half the UK foundries had not been approached because they were not involved in the earlier survey. Equally, the letter is believed to have prompted telephone conversations and informal discussions among companies which were still unwilling to put their thoughts on paper.

Accordingly, Little Neddy is now writing to all UK foundry companies, including a reminder to those already approached, to invite comments upon possible restructuring.

Contact is then proposed with companies that might form part of each possible natural grouping to suggest initial and informal discussions. The aim would be to establish the scale and nature of common problems the extent of interest in finding joint solutions and the type of self-help scheme that might be appropriate.

The problem Little Neddy still has to face is what the mechanism for any restructuring should be. A backgorund paper to the last meeting set out the issues simply.

For union members there were difficulties in being identified with specific proposals which might entail the loss of jobs, even though that migt be the only alternative to a more general cut in employment for te whole natural grouping.

Similarly, for management it might be difficult to release in committee information which could affect the company's negotiating position or share price.

Those are the issues that still have to be resolver. For the moment Little Neddy is merely seeking to identify the natural groupings.

PROFILE: A. L. DUNN

Doubled turnover and full orders

NOT ALL is gloom in the UK foundry industry.

Take the case of A L Dunn of Nuneaton which specialises in making aluminium castings for the motor industry. Turnover has more than doubled since 1979 (to £16.5m) and the company, which claims to be the largest aluminium founder in Britain, exports nearly a quarter of its output. Its customers include Ford and Opel in West Germany and the directors are optimistic about landing major new business in the U.S. motor industry in the near future.

Shifts

Dunn's three die casting shops are working three shifts a day and a fourth shop is under construction. The tool room, which makes tools and dies for customers' castings, has an 18-month order book.

Dunn is also an exception te the rule about what a big group should do when it takes over a family business. When Central and Sheerwood, the small and now troubled conglomerate bought Dunn in 1972, it decided to leave the vendor in charge of the business.

According to business school wisdom, he should then have put his new wealth into a hobby and lost interest in the business. But Mr Mervyn Compton, who is still chairman of Dunn, has kept Dunn competitive—except, that is, for a period when C and S sent him up to Sheffield to sort out a sister company.

Mr Compton is a foundryman like his father before him, but with a difference because his father sent him off to learn accountancy before letting him join the business. That has given him a sensitivity to finances and marketing that is often lacking in other established foundry companies.

Take, for example, his approach to making engine head castings in large volumes when the company won a contract in 1979 to supply Ford's new engine plant at Bridgend in Wales.

These are complex, high value components and must be made with considerable precision. Typically, foundries produce them on carousels of eight or more dies. Because the tolerances are tight, stoppages for adjustment and repair are fairly frequent.

Mr Compton noticed that a problem in one die could stop the production of seven others, so he designed a machine that produced in pairs and did a lot of monitoring and adjusting automatically. If a flaw comes to light in the company's rigorous inspection procedure, it can be put right without affecting production on the other machines.

Precise

In a similar move that affects both quality and economy, the company is installing a £65,000 spectrograph so that it can re-melt its own scrap to precise specification rather than being at the mercy of the secondary smelter operators.

Mr Compton is also pushing Dunn into new areas of casting technology, especially the foam polystyrene method, which produces an extremely smooth finish. The aim is to be able to provide the customer with some technical assistance as well as a product.

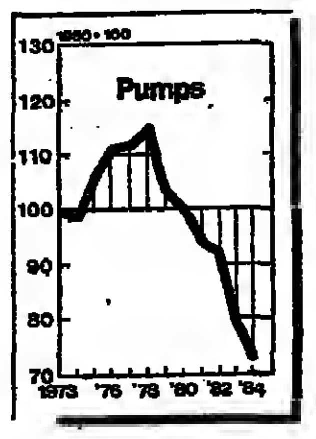
"We are fully committed to this industry," he says.

Dunn has been around since 1924 and first got into the motor industry with Ford in 1960. Now its main product line is air intake manifolds for car engines, and it makes about 4,500 of them e day for various customers. It also makes large sand mould castings for big engine parts for e variety of manufacturers.

Dunn went through a bad patch in the late 1970s while Mr Compton was away and was in poor shape when the recession struck in 1980. It closed a foundry in Coventry in 1981 when its work for the Talbot contract in Iran disappeared and suffered losses until this year.

"However good you think you are, you have to keep on trying to improve," he says.

I.R.



Still an excess of capacity

Pumps

IAN RODGER

A GLANCE at the adjacent chart suggests that the British pump business has not had a very happy time in recent years.

However, there are still 169 pump manufacturers in the country and the industry is still a significant contributor to the balance of trade. Its total turnover in 1983 was just under £500m and exports of £200m were £83m greater than imports.

There are about 17 industries that are major consumers of pumps, ranging from power plant and chemicals at the heavy end to precise medical equipment at the light end. Most are mature markets. A few, such as the marine market, have suffered major decline in recent years while others, such as the offshore oil industry, have provided some growth.

Mather and Platt, which is probably the second largest pump maker in the UK and specialises in supplying the oil industry, claims its volume has risen 10 per cent in real terms in the past four years.

But the overall trend has been down, forcing manufacturers to reduce capacity. Weir Pumps, the country's largest pump manufacturer, with turnover last year of just over £60m, closed one of its three factories in the mid-1970s and has cut its total workforce from 5,000 to 3,000. Mr Alan Sheil, general manager of industrial and marine sales, says volume is down about a third since 1979.

Mr Tony Wright, managing director of Mather and Platt's rotating machinery division, says: "Something will have to happen fairly soon. There could be a shakeout in the next couple of years."

Meanwhile, some pump-makers have bolstered their sales by offering turnkey packages of mechanical equipment for water treatment plants or fire fighting systems. The SPP Group, best known for its Godiva fire fighting pumps, is also trying to develop a consulting business measuring the efficiency of pumping installations. Mather and Platt has substantially built up its export sales, which now account for 70 per cent of its total sales.

Pump producers have been looking for some recovery in demand in recent months but there are mixed reports on whether or not it is happening. Mr Sheil of Weir says order intake so far this year is "nothing significant" over 1983. Demand is strongest for small pumps used in domestic central heating systems and cooling systems for computers.

Mr Wright says Mather and Platt's order book has been "pretty static" this year. The traditional big buyers in the UK, the electricity authorities, the National Coal Board and the British Steel Corporation, are still not buying new equipment, he says, and it is only the North Sea business that keeps home business steady.

Sulzer Brothers, the UK subsidiary of the Swiss engineering group, reports a much stronger trend. A spokesman said the company took in as much new business in the first quarter of this year as in the whole of 1983. This included a £1.5m contract for ten pumps for the Bray B platform in the North Sea and a £1m contract for the Anglian Water Authority.

Though the pumps industry lacks glamour, there are still some knowledgeable people willing to invest in it. For example, Sulzer invested £15m in a new factory at Leeds two years ago.

In what is perhaps a more daring move, the management group at SPP bought their company from Booker McConnell by its management group last October for £9.3m.

"Being financially committed concentrates the mind wonderfully on achieving better productivity," Mr Bob Moore, the SPP managing director says.

Best prospects for growth lie overseas

Mining equipment

PETER BRUCE

IF BRITAIN'S mining equipment manufacturers ever needed reminding that their best prospects for growth lie overseas, at least in the medium term, then the coal miner's strike should have finally driven the point home. Anderson Strathclyde, Dobson Perk and Dowty, the three biggest UK producers of subsurface equipment, are all facing substantial cuts in income this year because of the NUM strike.

Theoretically, the British mining equipment industry is one of the most powerful in the West. It is almost exclusively bound to the coal industry, and the National Coal Board's mines have provided manufacturers with a testbed for equipment free of foreign competition except in rare cases where importers have been able to offer better specifications or specialised machinery.

The UK's strengths — with Anderson Strathclyde in coal shearing, Dowty and Dobson Park in hydraulic roof supports, and Dowty, Dobson Park, and MS International (formerly Mining Supplies) in conveying equipment and Hawker Siddeley in flameproof transformers, switchgear and subsurface transport control systems —have also been complimented by important innovations in coal mining made by the NCB.

About 85 per cent of UK coal is mined using the longwall method pioneered in Britain, a position bettered only by West Germany, and the UK equipment suppliers have been encouraged to develop technology appropriate to the task. Longwall mining involves shearing coal in a continuous swathe along a face which can measure up to 200 metres in width and which is continually advanced along with shearer, roof supports and conveyors on a broad front.

Coal yields on these faces range up to 90 per cent, where the more traditional bord and pillar method tends to yield only 50 per cent of mineable coal.

The successes that longwall mining has enjoyed in Britain is due in large part to the special relationship that exists between the NCB and the equipment industry which has nurtured it. Imports are few, orders are shared out equally and not even mergers, like that between Dobson Park and Fletcher Sutcliffe Wild, a major conveyor producer, in 1983, are frowned on.

But the relationship is under pressure. The NCB is cutting investment in mining equipment—from £500m in 1982 to £390m last year for instance—and if the apparent desire of Mr Ian MacGregor, NCB chairman, to close down the board's uneconomic pits is translated into action, some 200 of the current 550 longwall faces would probably go. About 100 faces have been lost since 1980.

Cuts

In addition, the NCB is making deep cuts in the level of spares it carries. For some items this has resulted in a drop of orders in the region of 30 per cent and overall of 10 per cent to 15 per cent.

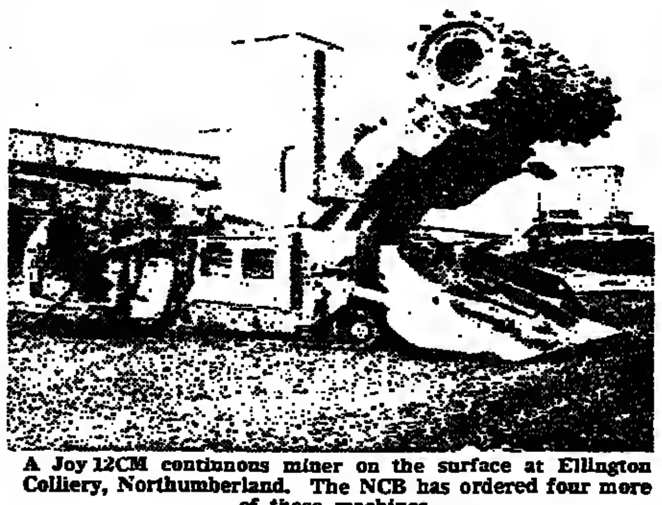
This is "good housekeeping," say NCB officials, who point out that if economies are made in the £215m spent annually in the board's own workshops, and the £500m spent on maintenance in the mines, orders could be redirected towards the equipment suppliers.

Nevertheless, the equipment industry has already begun to bend to the winds of change. Dowty's exports, £51m in 1978, have grown more than £20m, while Anderson Strathclyde has more than doubled exports, to £19m in the same period. Hawker Siddeley's exports accounted for about 18 per cent of mining equipment sales five years ago. Today, more than half of their business is done abroad.

The export markets are easy to spot. Outside Britain and West Germany, adoption of longwall mining techniques has been miniscule. Only 5 per cent of U.S. coal is mined at longwall faces, and the same goes for Australia and India. South Africa does a little better, at 7 per cent in 1982, and the figure is only 2 per cent in Canada.

The British manufacturers have already demonstrated their muscle in some of these markets, though they are hard pressed by West Grman competitors and indigenous suppliers where they occur. In 1981, Dowty won 12 of the 22 longwall developments in the U.S. and has had further successes in Australia with electronically controlled roof supports.

Where local markets have proved difficult to penetrate, the UK companies have sometimes bought control of local suppliers. Anderson Strathclyde took control of National Mine Service Company in the U.S. just before the Glasgow-based group was itself acquired by Charter Consolidated last year; Dobson Park spent £4.5m buying Marathon Industries in Virginia in 1981.



A Joy 12CM continuous miner on the surface at Ellington Colliery, Northumberland. The NCB has ordered four more of these machines.

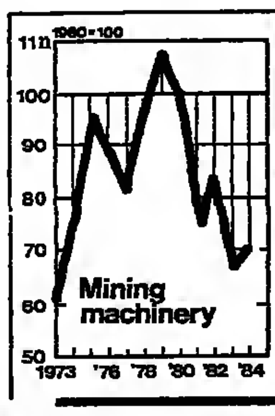
The potential for exports is theoretically immense. Unofficial estimates suggest that the UK mining equipment producers have potential markets worth £5bn available to them in coal alone. That figure is contentious, to say the least, but about 60 per cent of the 778m tonnes of coal produced in the U.S. in 1982 was mined in open pits and of the remaining 40 per cent mined underground, only a fraction was mined at longwall faces.

Some 60 per cent of Australian coal is mined in open pits, with the Canadians using the same method to produce more than 80 per cent of their coal.

The key to success for the British equipment producers then, seems to lie with the fact that the deeper mines are driven underground, and the harder the coal seams, the more attractive a proposition longwall mining becomes.

It will take time for the big open cast mines in the U.S., Australia and Canada to be worked to a point where going underground becomes necessary. The British are only minor competitors in open pit equipment, largely because of the modest demand for it at home. Even where British companies are operating open pit mines in Australia and the U.S., little UK equipment is being used.

In part, what the British manufacturers face is a marketing problem. The North American markets in particular, because of the size of their market, will need to be convinced of the efficacy of longwall mining. U.S. machinery producers have developed impressive capabilities to win their softer coals in by traditional mines and UK equipment producers concede that they have a great deal of selling to do.



There is also a sense in which the lifeline offered by the NCB could become counterproductive. British coal is mined deep, in generally hard and relatively narrow seams, and the technical specifications that the equipment industry has grown up with reflect this. But products ideally suited to the NCB's needs will not always satisfy the export markets even if the basic mining techniques do.

There are an estimated 2,000 mechanised longwall coal faces currently producing throughout the world today, with more than 25 per cent of them in Britain.

However, part of the British marketing problem is that, of the next eight major longwall producers—the USSR, Poland, West Germany, China, the U.S., Czechoslovakia, France and Hungary—only the U.S. and China have heen penetrated or seem even likely to be penetrated or seem even likely to be penetradted hy the UK quipmnt suppliers, according to the National Economic Development Office (Nedo). France is virtually a closed market and those Soviet hloc markets thet are open, have been tied up by the West Germans.

Nevertheless, Nedo is forecasting UK exports of about £120m a year by 1986, assuming demand for 60 longwall faces a years in those markets open to UK manufacturers. Some analysts believe that testimate is conservative. Exports peaked in 1979 largely because of major orders from China, and fell to £169m last year.

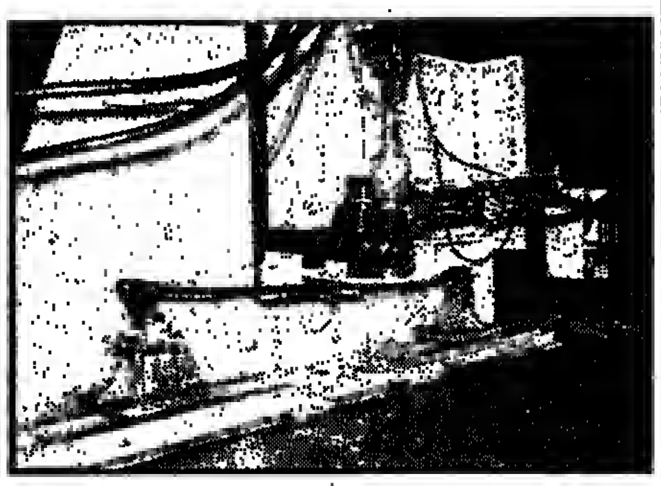
Ironically, the NCB might well prove its worth, short term, to the industry when the National Union of Mineworkers' strike ends. Since most pits have been let unattended since the beginning of March, hundreds of the Board's estimated 1.5m roof supports have become stuck as pressure from the constantly moving rock around them continues.

Coal shearers and electric motors have heen ieft to sweal in damp and humid conditions and many will have to be scrapped. Just to replace damaged roof supports could mena an estimated £25m in new husiness for the equipment indsutry.

The board has already tried to dampen the effects of the strike, and the overtime ban which began at the end of last year, hy encouraging manufacturers to complete equipment already ordered. The producers have been paid, hut have complied with NCB reqnests not to deliver so as to avoid provoking already angry miners.

Quite when new orders to replace damaged machinery, and necessary additions, will be piaced depends entirely on the board and the NUM negotiating an end to the dispute.

The bigger producers, like Dowty and Dobson Park, have some export business and other husinesses to see them through. For the hundreds of small operations supplying local coalfields with commodity items ranging from lnhricants to tubular steel struts, the situation must now be desperate and there are likely to be casualties if the dispute should continue into the winter.



GKN has developed leaf springs for trucks made of reinforced glass-fibre composite material, shown here under test. They perform beter than conventional steel springs and are mnch lighter.

Commercial vehicle makers in Europe and the U.S. are paying GKN to make prototypes for them. Production is scheduled to begin early next year at a new £6.4m factory in Telferd, creating np to 100 jobs.

GKN sees this as the kind of improvement on a component or component system that will keep it in the forefront of international motor industry suppilers. It estimates the potential world market for leaf springs at £500m n year.

A hard year and few signs of recovery

Construction equipment

IAN RODGER

IT HAS been a traumatic year for Britain's construction equipment industry.

The collapse of the West German IBH Holdings group last November brought four British manufacturers crashing down with it. Meanwhile, two other British companies abandoned the standard hydraulic excavator market, following a concerted assault by the Japanese on the UK market.

And to make matters worse, there are still very few signs of recovery in demand for construction equipment, a sector devastated by the worldwide slump in construction activity since 1980.

However, there is still the occasional bit of good news to be found admist all this misery. For example, three of the four companies that went into receivership following the IBH collapse, have found new owners and are np and running again. (The fourth, Winget, is still trading under the receiver's management.) Similarly, Aveling Barford, the struggling dump truck maker formerly owned hy BL, was hought up last December by a U.S. businessman.

Then there is the inspiring performance of J. C. Bamford Excacators, the privately-owned group that continues to thrive in the highly competitive excavator and backhoe loader businesses. In 1982, It made a pretax profit of £10.8m on sales of £109.8m, and it expected to do at least as well last year.

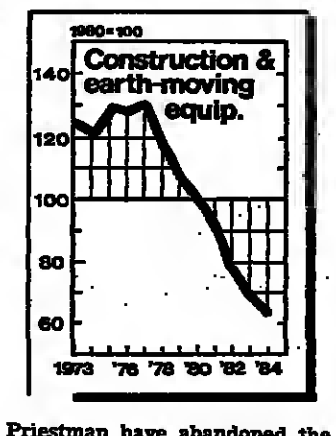
Of the former IBH compsnles, the one to watch may well be Terex, the heavy earthmoving equipment maker in Scotland. General Motors of the U.S., which had sold the entire Terex operation, with factories in Brazil, the U.S. and Scotland, to IBH in 1980, rescued the Scottish plant from the receivers in March.

Initially, it looked as though this was done merely to prevent Terex Scotland from being liquidated hy the receivers, and that GM did not really want to get back in the construction equipment business. Subsequently, it has been suggested that GM will let the U.S. operations of Terex, which are in bankruptcy, fade away, and try to rebuild the business from the Scottish base.

Terex Scotland is an efficient operation, being one of the few subsidiaries of IBH to have undergone significant rationalisation, and UK manufacturing costs are lower than those in the U.S. Also, Terex probably has better sales prospects in Europe and Africa than in the Americas where Caterpillar Tractor dominates in heavy earthmoving equipment.

Terex Scotland officials claim that GM has made e long term commitment to make the company viable. They are planning to expand the product range and seeking alliances with other manufacturers, such as Fiatallis of Italy. The workforce at the Motherwell plant has grown to 560 from a low of 350 early this year, and Terex directors are optimistic that they can recover their market share.

It will also be interesting to see if Hymac, the former UK market leader in hydraulic excavators, can rebuild an important share now that it is part of Northern Engineering Industries Ruston-Bucyrus and



Priestman have abandoned the standard excavator sector, leaving only Hymac and JCB to carry the British flag there.

The UK excavator market, one of the few construction equipment sectors to show any strength in the past few years, has been affected by a very strong assault by Japanese manufacturers in the past decade. From a negligible position in 1975 they now supply a third of the market.

This sort of assault has not happened elsewhere in Europe, and industry analysts suspect thet Britain was chosen because of the importance of the plant hire operators in this country. These big volume buyers are probahly more interested in price than others, and so ere ideal targets for a newcomer wanting to build up a significant market shere in a hurry.

JCB has been leading a drive by European excavator manufacturers to have the European Commission charga the Japanese with dumping in the UK market. It is nnderstood that the evidence has heen gathered and presented to the Commission

A range of pneumatic fittings and controls

Survivor of the long recession

Compressors

IAN RODGER

THE PNEUMATIC equipment industry is another that has survived the long recession in Britain better than many people suspected it might.

CompAir, the only British-owned major compressor manufacturer, still ranks third in the world hehind Atlas Copco of Sweden and Ingersoll Rand of the U.S. and has managed to keep its product line largely intact.

However, depressed markets and heavy rationalisation costs in the past few years have caused profits to fall from £11.6m pre-tax in 1977-78 to £2.8m in 1982-83, with a further decline reported in the first half of last year.

Atlas and Ingersoll-Rand also still have substantial manufacturing activities in Britain, as does Chicago Pneumatic, another large U.S. compressor maker.

In the pneumatic tools sector, Desoutter Brothers remains a major international competitor. After three years of profit declines, the group reported a 61 per cent rise last year in pre-tax profit to £2.73m, and anticipates further progress this year.

However, probably the most remarkable story this year is in the pneumatic fittings and controls sector in which Britain has two leading suppliers, IMI's fluid power division and Martonair.

IMI's fluid power division recently reported nearly trebied profits in 1983 and, according to Mr Trevor Lamb, the board director responsible for the division, it is at long last starting to make decent returns.

IMI's interest in pneumatic controls and fittings emerged rather dramatically late in 1969 when it made a bid for Enots, a long-established producer, just as that company was about to float its shares on the London stock market. The takeover, for £4.15m, was not agreed until nearly two years later.

In the early 1970s, pneumatic control was seen as a glamorous growth sector as more and more processes in industry were being automated through the use of pneumatic valves and regulators. In late 1971, for example, Martonair shares were on a p/e of nearly 19 compared with around 11 today.

IMI, which was trying to diversify away from its metals base, went on in 1972 to acquire C. A. Norgren of the U.S. and its UK associate, Norgren Shipston, for £13m. Norgren was and still is the U.S. market leader in filters, lubricators and regulators with a dominating 45 per cent market share.

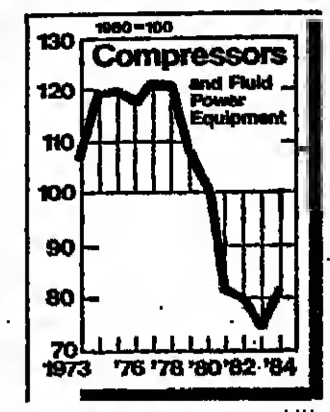
Slowdown

Unfortunately, for most of the 1970s, either the U.S. or the UK markets were in difficulty and so the division as a whole never did well. In the early 1980s, the sector's glamour image was tarnished by the slowdown in spending on all industrial equipment and the emergence of highly competitive electronic controls for some applications.

Bnt last year IMI's fluid power division staged a very strong turnaround, making pre-tax profits of £4.9m on turnover of £62m compared with profits of £1.7m in 1982. And Mr Lamb is looking for further substantial increases this year. "We are beginning to demonstrate the glamour expected of this husiness," he says.

Martonair's latest report, for the half year to January 31, 1984, showed pre-tax profits up 11 per cent to £2.03m on turnover of £22.1m with a forecast of a similar growth rate in the second half.

IMI's recovery was due partly to its strong presence in the buoyant U.S. market, where it makes a little over half its sales, but mainly to internal improvements — eliminating product duplication between its European and U.S. companies, installing a more market-oriented management and making the factories more efficient.



Now that these improvements have been achieved, the group could have chosen to treat the business as a cash cow. The standard filters, regulators and lubricators, which make up about two-thirds of the division's turnover, are mature products. For example, the latest pneumatic controls do not need luhrication. But Mr Lamb says IMI has identified fluid power as one of its growth businesses.

Investing

In the mature areas, it aims to increase its market shares, and has been investing heavily in improving its European distribution system in the past two years and expanding in the Far East. It is also concentrating on the few high technology areas, such as filters for use in microbiology, where growth and margins are stronger.

Meanwhile, it is also trying to build up its presence in the much larger markets for valves, both through internal development and through acquisitions. Mr Lamb is particularly eager to get into the new miniaturised part-electronic valves, an area in which Japanese manufacturers have a ieed.

IMI acquired a small U.S. company last year that has developed a miniature electronic reed valve and Mr Lamh is very excited about its prospects. He is also planning to import products from Japan, a move which might lead to manufacturing some under licence.

Mr Lamh is also determined to get into the Japanese market, the only major one in the world in which the division does not have a significant presence. Ha has been attempting to arrange a joint venture there for over two years. "It is very difficult to enter that market. There is a cluh of producers that does not want us in. But we will get there. I think they admire our tenacity."